FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,052 Tuesday April 19 1983 D 8523 B

U.S. bankers hustle for rich merger business, Page 14

NEWS SUMMARY

GENERAL

UK acts against lead in petrol

The UK Government has accepted a recommendation that all new petrol-engine vehicles sold in Britain should run on petrol that contains no lead, by 1990 at the latest.

Environment Secretary Tom King told the House of Commons that the UK would open negotiations within the EEC immediately to remove the Community's minimum permitted level of lead in petrol.

The UK Government has given prompt backing to the report published yesterday by the Royal Commission on Environmental Pollution. Mr King hopes that the changes can be brought in earlier than the 1990 deadline. Page 16

Border death plea

Chancellor Helmut Kohl telephoned President Erich Honecker to ask for an investigation into the death of a West German being questioned by East German border guards.

Walesa released

Polish police released former Solidarity leader Lech Walesa after detaining him long enough to prevent him from reaching Warsaw to lay a wreath to commemorate the 40th anniversary of the ghetto uprising.

Nato optimism

Nato supreme commander in Europe General Bernard Rogers said in Paris that he believed that in any conflict between Nato and Warsaw Pact forces France would join its allies early in defending Western Europe. Page 2

'Agents killed'

Chinese militia killed four Vietnamese "secret agents" who crossed the border on Sunday, said Peking radio.

In Canberra, Chinese Premier Zhao Ziyang attacked Vietnam and the Soviet Union. Page 4

Prem asked to stay

Thai Social Action Party leader Kukrit Pramoj, who has campaigned against military rule, called on Premier General Prem Tinsulanonda to continue in office, whatever the result of yesterday's general election. Page 4

Peace summit call

Dr Robert Runcie, Archbishop of Canterbury and leader of the Anglican communion, said in Christchurch, New Zealand, that he was organising a peace summit for world religious leaders.

Oil risk growing

An Iranian oil executive said 20,000 barrels a day were burning in the Nowruz offshore field, and if experts could not be brought in to cap the wells pipes would melt and ten times as much oil would flow into the Gulf

Hijacker jailed

Polish security guard Pjotr Winogrodzki, 22, was jailed the minimum five years in West Berlin for hijacking a Polish aircraft to a U.S. air base there.

Bonn torture trial

A Libyan doctor and student went on trial in Bonn accused of detaining and torturing two North Africans opposed to the Gadaffi regime.

Briefly

Taegu, South Korea: Fire killed at least 25 in two nightclubs.

Gold bars worth about $500,000 disappeared on a Montevideo-Copenhagen flight.

Methodist Minister Cedric Mayson, on bail in treason trial, has fled for his native Britain, said a South African judge.

BUSINESS

U.S. must intervene on rates – Volcker

● **U.S. FEDERAL** Reserve Board chairman Paul Volcker went against the Reagan Administration economic approach by calling for U.S. intervention to stabilise exchange rates. Page 6

● **STERLING** continued its recovery, gaining 1.35c at $1.5615, and rising to DM 3.8425 (DM 3.7775), FFr 11.51 (FFr 11.315), SwFr 3.215 (SwFr 3.165) and Y371.75 (Y368). Its Bank of England trade-weighted index rose from 82.9 to 83.8. In New York, sterling closed at $1.5640. Page 36

● **DOLLAR** rose to DM 2.4595 (DM 2.4385), FFr 7.3725 (FFr 7.3125), SwFr 2.058 (SwFr 2.0425) and Y237.85 (Y237.6). Its trade weighting went up from Friday's 122.5 to 122.8. In New York, the dollar closed at DM 2.4585; FFr 7.3675; SwFr 2.0635; and Y238.20. Page 36

● **GOLD** rose $6 in London to close at $441.5. It closed at $443.5 in Frankfurt and $442.5 in Zurich. In New York, the Comex April settlement was $445.0 ($437.4). Page 33

● **TIN** prices dropped sharply in London, with the three-month standard grade quotation £250 lower at £8582.5 ($13401.6) a tonne. Page 33

● **LONDON:** FT Industrial Ordinary index eased 0.5 to 695. Page 29. FT Share Information Service, Pages 34, 35

● **WALL STREET:** Dow Jones index closed up 11.90 at 1,183.24. Page 29. Full share listings, Pages 30-32

● **TOKYO:** Nikkei Dow index gained 30.37 at 8582.53, and the Stock Exchange index was 2.42 up at 621.81. Page 29. Leading prices, Page 32

● **FRANKFURT:** Commerzbank index rose 9.4 to 931.4, a 22-year high. Page 29. Leading prices, Page 32

● **CONSUMER PRICE** inflation in Western industrialised countries averaged 5.7 per cent in the year to February, its lowest for 10 years, said OECD.

● **AUSTRALIA'S** recorded inflow of private capital totalled $A884m ($787.1m) last month, compared with the February pre-devaluation outflow of A$560m. Page 4

● **WORLD BANK** President A. W. Clausen said the U.S. wanted a small cut in its share of contributions to the International Development Agency, which helps poor countries.

● **KUWAIT** plans to increase spending by about 4 per cent in the year beginning July 1, despite falling oil revenue.

● **CHASE MANHATTAN,** third largest U.S. bank, reported first-quarter income 18 per cent down at $106m, contrasting with the buoyant trend among most competitors. Page 16

● **SEAFIRST,** U.S. West Coast banking group hit by heavy losses on energy lending, is having talks that could lead to a substantial capital injection. Page 17

● **RHÔNE-POULENC,** the nationalised French chemicals group, doubled its overall loss to FFr 844m ($115.7m) last year despite a big increase in operating profit. Page 17

● **JOHN BROWN** Engineering of UK has won a £60m ($94m) order to supply Thyssen Steel of West Germany with a complete power station. Page 8

● **AKZO,** Dutch chemicals group, is to close its Enka fibres subsidiary's plant at Kassel, West Germany, by mid-1984 and reorganise its U.S. operations, Page 17

● **HOOKER CORPORATION** chairman Sir Keith Campbell, who took a leading part in Australia's economic summit last week, died aged 55.

Sterling and dollar strengthen against D-Mark

BY JEREMY STONE IN LONDON

STERLING's recovery on the foreign exchange markets made another leap forward yesterday, when the pound closed in London at its highest effective level since the beginning of the year.

The Bank of England's trade-weighted index, which measures the effective value of sterling against a basket of currencies, closed 0.9 higher at 83.8 (1975 = 100).

Sterling recovered 1.35 cents against the dollar, to close in London at $1.5615 – the highest closing level since January 21. At the same time, both currencies gained heavily at the expense of the D-Mark.

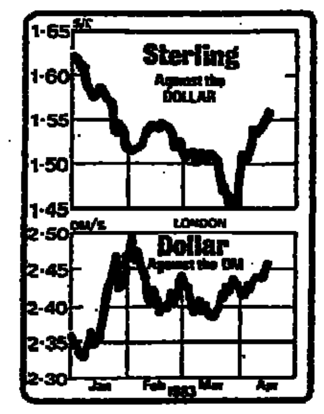
Funds which were invested in Germany last month (ahead of the expected realignment in the European Monetary System) have now been flowing out again. Yesterday this outflow added 6.5 pfennigs to the £/DM exchange rate, and put 2.1 pfennigs on the dollar; sterling closed in London at DM 3.8425 and the dollar at DM 2.4595.

Otherwise, the markets were short of specific news on which to take positions, although what news there was favoured sterling. Weekend press stories raised hopes of an early election – assumed likely to be won by Mrs Margaret Thatcher – and there were helpful statements that the oil-producing countries seemed to be sticking to their recent price agreement.

Not for the first time in recent weeks, the biggest swings in exchange rates came in the last hour of trading in London. Sterling, which had been slowly losing ground to the dollar during the afternoon, moved ahead suddenly by more than half a cent.

Some dealers reported buying on the International Monetary Market in Chicago as the main reason for the jump. Others thought that the weight of buying was probably from London banks, buying pounds to get their books straight at the end of a day when they had mainly been happier to get into dollars – thinking that sterling would be cheaper later on.

Lex, Page 16; Markets, Page 29



FORTY PEOPLE FEARED DEAD

U.S. to press peace effort despite bombing of Beirut embassy

BY ANATOLE KALETSKY IN WASHINGTON AND NORA BOUSTANY

The U.S. will continue its peace efforts in the Middle East despite yesterday's "vicious and cowardly" bombing of the U.S. embassy in Beirut, President Ronald Reagan declared in Washington last night.

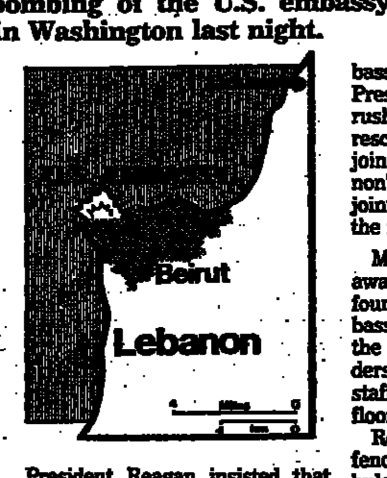
The seven-storey sea-front building went up in flames and a column of dark smoke when the lunchtime explosion wrecked its entire façade and devastated much of its eastern wing.

State-run Lebanese television put the number of dead at 40, with 100 wounded. Six U.S. Marines and two U.S. Army soldiers were reported among the dead, but President Reagan said it had not been determined how many Americans had been killed.

Responsibility for the blast was said to have been claimed by a group called Jihad al-Islami (Moslem Holy War), which telephoned a Beirut newspaper. It is believed to be a pro-Iranian faction that has claimed responsibility for previous attacks on French, Italian and U.S. contingents of the multinational peacekeeping force in Lebanon.

Yesterday's blast followed two attacks against French soldiers and U.S. Marines on Sunday night. France, Italy and the UK joined in the U.S. condemnation of yesterday's attack.

Although the Beirut embassy has been attacked by rockets at least twice in recent years, and been mobbed by pro-Iranian demonstrators, this was the first attack of such dimensions against U.S. interests in Lebanon. Before last year's Israeli siege of Beirut the embassy was believed to be under the protection of the Palestine Liberation Organisation.



President Reagan insisted that negotiations for the earliest possible total withdrawal of all external forces would continue. The U.S. remained committed to the restoration of the Lebanese Government's full sovereignty throughout all its territory, he said.

Administration officials added that there would be no change to the broadened Middle East peace process as a result of the bombing. They said that the U.S. remained optimistic about the possibility of a simultaneous Israeli and Syrian withdrawal from Lebanon in the near future.

Marine and Lebanese army helicopters helped evacuate casualties from the top floors of the embassy building, and some victims were flown to medical units in U.S. naval vessels lying offshore.

Mr Robert Dillon, the U.S. ambassador, and Mr Morris Draper, President Reagan's special envoy, rushed to the embassy to supervise rescue operations. They were later joined by Mr Amin Gemayel, Lebanon's president, who ordered his joint chief of staff to help organise the rescue effort.

Marines were seen carrying away several diplomatic pouches found on the ground floor of the embassy. Fire brigade crews went to the back of building, setting up ladders to bring down employees and staff screaming for help at the top floors.

Red Cross, Red Crescent, civil defence and multi-national force ambulances rushed to the site, where palls of smoke concealed most of floors.

In May last year a bomb-rigged car similar to the one used in yesterday's attack exploded at the French embassy in Beirut, killing 11 people and injuring 22 others. In September 1981, the French ambassador to Lebanon, Louis Delamare, was assassinated in Beirut.

In 1979 the then U.S. ambassador in Lebanon, Mr Francis Meloy, and an economic counsellor were murdered.

Shards of glass, bits of blood-drenched clothing and hot metal were scattered over a radius of several hundred yards and the embassy was totally blocked by a mound of metal and slabs of concrete.

Israelis protest at West Bank ceremony, Page 4

UK 'will support oil price stability'

By Ray Dafter in London

OIL PRICES look set to stay at the new $29-a-barrel reference level until at least the end of the year, Mr Nigel Lawson, Britain's Energy Secretary, said last night.

The UK, he said, would continue to support the Efforts of the Organisation of Petroleum Exporting Countries (Opec) to maintain oil market stability, even if this meant the state-owned British National Oil Corporation (BNOC) sustaining some losses on its trading activities.

Opec's "monitoring committee," meeting in London, is confident that its new $29 a barrel reference price and fixed output quotas are being observed by all members, without "cheating." Page 16.

The UK, the world's fifth biggest oil producer, had no intention of becoming an associate member of Opec or of taking the lead in a new consumer-producer dialogue as proposed by Sr Humberto Calderón Berti, the Venezuelan Minister of Energy and Mines, he said.

Britain's position was made clear in an exclusive interview last night as a four-man ministerial committee of Opec met in London to review the oil market and Opec's recent production and pricing agreement.

Mr Lawson said Opec's adherence to its production quotas, based on a maximum output of 17.5m barrels a day, had helped to stabilise the market around the $29 reference price for Arabian Light crude.

In the London spot market yesterday, cargoes of the crude were being traded at between $28.85 and $28.80 a barrel, compared with about $27.90 at the end of March.

North Sea producers would not act to undermine the Opec agreement, Mr Lawson continued, but neither would the UK formally link its prices and production levels to Opec's.

Continued on Page 16

Call to restore full interbank lines to Brazil

BY ALAN FRIEDMAN IN LONDON

AN international campaign to persuade small U.S. and European banks to restore $1.5bn worth of interbank lines to Brazil was launched last night after a day-long meeting in London between 16 key creditor banks and Brazilian Government officials.

It was learned that net interbank lines from foreign banks to Brazilian banks totalled $6bn as at April 12.

The bankers involved in the meeting said last night it would be necessary to restore the interbank level to $7.5bn in the next four to five months. "We will need to convince a number of banks to restore their lines soon" one banker said.

The provision of $7.5bn worth of short-term interbank lines to Brazilian banks was a central component of the multibillion dollar rescue package negotiated earlier this year for Brazil, which has total foreign debts of more than $84bn.

The package also included $10.3bn in short-term trade credits; $4.4bn in new loans; and the rescheduling of $4.6bn in debt maturing this year.

It is believed that pressure will be applied by national co-ordinating banks in France, West Germany, Switzerland, Italy, the Middle East and the U.S.

French banks are believed to be about $200m short of their interbank commitments to Brazil. The figure for West German banks is also about $200m.

Swiss banks are believed to be $150m behind their commitment and Italian banks are said to be $150m short.

Middle Eastern banks will be asked to restore about $200m in interbank loans to Brazil.

As part of the campaign, Sr Antonio Chagas Meirelles, director of Brazil's central bank, is on a tour of Europe and the Middle East. He arrived in London on Friday.

At yesterday's meeting, held in London's Dorchester Hotel, Brazilian Government officials spent the morning providing bankers with their projections of the 1983 trade surplus and other forecasts relevant to the multibillion dollar rescue.

Mr Carlos Eduardo de Freitas, head of the international operations department of the Brazilian central bank, reiterated Brazil's projection of a $6bn trade surplus. Bankers attending the meeting pointed out that the Brazilian projection included an estimate of an average monthly trade surplus of about $600m during the period from April to July.

They said the forecast for the period from August would be about $550m per month.

It is understood that, contrary to earlier reports from bankers, no additional financial support is required in the area of short-term trade credits, where commitments of $10.3bn were included in Brazil's overall rescue package.

Attending yesterday's meeting were observers from the Bank of England and the New York Federal Reserve Board.

Yesterday's presentation of Brazilian trade projections for 1983 included:

● Oil imports are projected to decline in 1983, as a result of lower crude oil prices, increased domestic production and decreased consumption. Oil imports are expected to decline from last year's level of 795,000 barrels a day to 710,000 barrels a day in 1983.

● Exports of primary products and manufactured goods expected to improve significantly over 1982 levels.

● In the first three months of 1983 it was claimed that coffee prices at $151 a bag exceeded projected prices.

International capital markets, Page 28

General Mills sells Tom's to Rowntree

BY CHARLES BATCHELOR IN LONDON

ROWNTREE MACKINTOSH, the British confectionery group, has bought Tom's Foods, a U.S. crisps and snack foods manufacturer, from General Mills for £140m ($217m) in cash. The move marks a long awaited expansion programme in the U.S. for the British group whose products include After Eight mints and Smarties.

Tom's, which is based in Columbus, Georgia, made pre-tax profits of about $24m on sales of $200m in the year ended May 30 1982. It employs 2,400 people at seven factories and distributes throughout the southern U.S., where it has about 6 per cent of the market.

This deal, which has been agreed in principle with General Mills, represents the largest acquisition ever by Rowntree and marks a substantial expansion of its snack food activities. Non-confectionery sales will rise from below 10 to 20 per cent of the group total.

"This will give it a better geographical spread of sales and trading profit," said Mr Kenneth Dixon, Rowntree chairman. "In 1982 we made 50 per cent of sales and 60 per cent of profits in the UK. After this purchase, UK sales will fall to 40 per cent and profits to 48 per cent. This represents an important shift in the balance."

North American trading profits and sales both accounted for 8 per cent of group totals in 1982 but will now rise to 25-30 per cent each.

General Mills has decided to sell, according to Rowntree, because Tom's products, which go to small and medium-sized stores and vending machines, do not fit in with the U.S. group's other products which go into large supermarkets.

"The purchase price represents a reasonable multiple on the figures we have," said Mr Dixon. "It will wash its face in terms of the trading profits covering financing costs."

Despite its strong balance sheet and liquid cash position, Rowntree will raise medium-term bank loans in the U.S. and Britain to fund the deal.

Tom's was established in 1925 and has been part of General Mills for 17 years. Sales have risen from $120m and profits from $18m over the past five years.

Rowntree's move into the U.S. comes 14 years after it narrowly escaped being taken over by a U.S. company. General Foods Corporation bid £37m for Rowntree in 1969 but the British company merged with Mackintosh to foil the bid.

Details, Page 9
Lex, Page 16

Charter sells stake in RTZ for £51m

By Kenneth Marston, Mining Editor in London

CHARTER Consolidated, the UK-based industrial and mining group, sold 9.1m shares of Rio Tinto-Zinc in the London stock market yesterday for £51m ($79.5m).

This follows a sale of 1.1m RTZ shares by Charter earlier in the year for £6m and disposes completely of the group's 4 per cent holding in the international mining and industrial major.

The latest sale was made at an average price of 560p and comes hard on the heels of RTZ's unexpectedly strong results for the second half of 1982, which lifted the shares to a high of 614p. After news of the Charter sale, the price of RTZ dropped back to 580p before closing 16p down at 592p.

Charter says it will use the proceeds – put at not less than £38.6m after tax – to reduce borrowings and finance new investment by companies of the Charter group. It will mean a loss of dividend income from RTZ which amounted to £2.33m in the year to March 31.

The disposal is not seen as a reflection on the outlook for RTZ, but fits in with Charter's policy of increasing its direct interests in industry and mining.

Mining, Page 24

CONTENTS

EEC 'LOSING CONTROL' OF AGRICULTURE SUPPORT COSTS

Brussels warns on farm spending

BY LARRY KLINGER IN BRUSSELS

THE European Commission yesterday confirmed that farm support spending was in danger of running out of control—at more than a third above last year. It called on Community agricultural ministers to approve speedily its proposals for a "prudent" 4.2 per cent increase in guaranteed farm prices for 1983-84.

Ministers, who last night began their marathon negotiations to fix price levels for the new marketing year, were told that there was no room for them to add their customary 1 to 1.5 percentage points to the Commission's proposals.

Advances from this year's £8.5bn agriculture budget were already running at around £600m above expectation for the first five months of this year, said the Commission. Since an extra £210m would in any case be needed to finance its current price proposals, a minimum supplementary 1983 EEC budget of £900m to £1.2bn might be needed.

Mr Peter Walker, Britain's Agriculture Minister, said last night that as the Commission's current budgetary forecast was worse than when its original price proposals were made in December, they should now be reduced.

Significantly, he did not rule out that Britain might accept an agreement based closely on the Commission's existing proposals. "But a deal will be quite difficult to get."

A majority of the member states, especially France and Ireland, seemed intent on further increase, and demands for a substantial revaluation of West Germany's agriculture currency are anathema to Bonn.

The ministers broke off their formal negotiations to continue bilateral talks last night and again this morning. If these talks prove successful, Herr Ignaz Kiechle, the West German minister and chairman of the council, is expected to put forward a compromise this afternoon.

Only Britain, West Germany and the Netherlands appear to resist calling for any increase in the Commission's proposals. Mr Walker stoutly maintained his support for demands for the EEC's consumer organisations for a virtual freeze on products in structural surplus, such as milk, cereals, sugar, wine and olive oil.

Most states have yet to commit themselves, however. Only Ireland seems to back the EEC farming organisations' demands for a full 7 per cent rise.

West Germany and the Netherlands are being asked to revalue their "green currencies" applied to agriculture trade. This would reduce substantially any eventual price rise to their farmers and even produce a negative increase for some West German products.

Cockerill faces imposition of pay controls

BY OUR BRUSSELS STAFF

THE BELGIAN Government is poised to intervene in the restructuring of Cockerill-Sambre, the troubled steel group, by imposing a special programme of wage austerity.

Action is expected in June, officials said yesterday. By that time the centre-right coalition of Mr Wilfried Martens will have won parliamentary approval for the use of special powers to regulate the economy. The Cabinet decided on the nature of these powers last Friday.

The Government will also have received the first report on the future of Cockerill from M Jean Gandois, the French expert commissioned to advise on the adaptation of the group to the lower steel demand expected in the next few years.

Although its special powers do not give the Government the right to cut the Cockerill workforce, it can regulate wage levels, overriding labour agreements, provided the guaranteed national monthly minimum wages are not breached.

This will be the tactic used to force change at Cockerill, officials said. Employees would thus be encouraged to leave.

The precise nature of the cuts necessary to bring the workforce down to the level needed economically to cope with production quotas set by the EEC has not been specified. But officials speculated that the Gandois report would probably call for a halving of the workforce to about 16,000.

Cockerill is expected to have operational losses this year of at least BFr 6.6bn and to need official support of at least BFr 3bn (£40m).

Radical intervention of the type contemplated by the Government will have widespread political repercussions, causing great upset in the French-speaking part of Belgium. The Cockerill issue is among those encouraging the Government to devolve control of key industries to regional executives based on linguistic groups.

Seveso trial opens amid doubt about waste

BY RUPERT CORNWELL IN ROME

THE TRIAL of those held responsible for the Seveso dioxin poisoning disaster seven years ago began in Monza yesterday – in the absence of the five defendants, but amid continuing controversy over the final destination of 41 barrels of contaminated waste from the Swiss-owned Icmesa plant.

The five accused, four of whom are Swiss citizens, are the chairman, general manager and technical director of the factory itself, its designer, and the technical director of Givaudan, the subsidiary of the Swiss pharmaceuticals and chemicals concern Hoffman La Roche, which operated the Icmesa plant at Meda, six miles north of Milan.

Originally the accused numbered 12. But in the period since the explosion at Icmesa on July 10, 1976, less serious charges have been dropped against six of them. Another, Paolo Paoletti, Icmesa's production manager, was murdered by leftwing terrorists in February 1980.

The charges are of causing a disaster, failure to enforce adequate safety provisions and bringing about severe physical damage to inhabitants at Seveso, the small village near Meda where the contaminated cloud of dioxin, or TCDD, was blown by the wind after the accident. If convicted, the five could face prison sentences of from one to ten years.

The trial is likely to be lengthy, particularly if an out of court settlement is not reached between Givaudan and other private plaintiffs. One of these, the municipality of Seveso, has initiated two separate proceedings in Switzerland against Givaudan, seeking SwFr 180m ($49m) in damages.

In the meantime, as mystery continues to surround the whereabouts of the 41 barrels of waste, Sig Loris Fortuna, the Italian Minister of the Environment, has summoned representatives of Icmesa and Mannesmann Italia, the company contracted to dispose of it, to a meeting here on Thursday.

This follows criticism of Italy, voiced in both France and Germany, of its lax controls in allowing the dangerous waste to be exported from the country in obscure circumstances. While both West and East Germany have been mentioned as possible destinations for the 41 barrels, other reports here suggest they may have been disposed of in the Atlantic.

Yugoslavia gets further $600m from banks

By David Buchan, East Europe Correspondent, in Budapest

COMMERCIAL BANKS meeting in Zurich over the weekend have agreed to lend Yugoslavia $600m in new cash by the end of June, as well as rolling over existing loans.

This completes one of the most complex rescue packages in recent years which also involves the International Monetary Fund, the Bank for International Settlements and 15 Western governments, all of which answered Yugoslavia's plea to help it avoid formal default on servicing its $19bn debt.

The IMF has played a key role in organising the contribution by more than 500 commercial banks, which was finally agreed at the Zurich meeting. The banks will also roll over all the medium and long-term loan payments which Yugoslavia owes this year into a six-year credit with a three-year grace period. They have also agreed, to extend all short-term loan payments due in 1983 for two more years.

Other contributions take the form of the remaining $600m tranche from an IMF standby credit, a bridging loan from the BIS and, most unusually, a $1.3bn in cash and extended trade credit from western governments.

Chinese-Dutch relations hit by Taiwan air-link

By Walter Ellis in Amsterdam

A CONTROVERSIAL air link between Taiwan and the Netherlands, and fresh moves in the long-running saga over Dutch-built submarines for the Taiwanese navy, have brought Sino-Dutch relations to their lowest point since January 1981.

The Chinese, who reduced their diplomatic relations in The Hague to chargé d'affaires level in 1981 in protest against the submarine deal, have protested vehemently about the new air service and are concerned as well about the possibility that Taiwan might provide substantial new funds to ensure the completion of its submarines.

Rogers says France would join quickly in defending Europe

BY DAVID HOUSEGO IN PARIS

GEN BERNARD ROGERS, Supreme Commander of Nato forces in Europe, has expressed the belief that in the event of a conflict between Nato and Warsaw Pact forces, France would join its allies early on in the defence of Western Europe.

Gen Rogers's remarks, made at a Press lunch in Paris, go as far as any public comments to date in tacitly confirming the extended role being given to French forces beyond the defence of French territory.

They underline the long-term evolution in French defence thinking—reflected in President Mitterrand's address to the Bundestag in January—towards greater co-operation over European security and towards closer collaboration with West Germany.

French officials were embarrassed by Gen Rogers's remarks. One commented later: "the General is not a diplomat." Orthodox French defence doctrine since Gen de Gaulle's day has been that there would be no automatic commitment of French forces in the event of a European conflict, that France would not take part in a forward battle in West Germany, and that French troops must be concentrated for the defence of the nation's territory.

But French officials recognise that in present circumstances such a concept has limited value.

Gen Rogers's remarks come in a week when the French Cabinet is due to announce details of a five-year military budget.

This has been the subject of agonising reappraisal in recent weeks because of the necessity of cuts because of France's strained financial resources. But the military spending programme, expected to be announced tomorrow, will give a more precise idea of how far France can go in modernising its armed forces and what in practice will be available for supplementing West German and European security.

Gen Rogers said that if there was a conflict between Nato and Warsaw Pact forces, he "personally" believed that France would take a decision early on to join its forces with those of West Europe.

Answering questions, he confirmed that French participation could take the form of the mobilisation of the French First Army which is stationed in West Germany as a reserve force of Nato or of French mobile troops being committed to the "forward battle" in a European conflict.

Last-ditch bid for accord at Madrid conference

BY DAVID WHITE IN MADRID

THE 35-nation Conference on Security and Co-operation in Europe meets in Madrid today for the ninth time in what is billed as a make-or-break session. It has dragged on now for two years and five months.

The conference, to review and carry forward the 1975 Helsinki Agreements, now hinges on the changes which Nato members seek to make to a revised draft document put forward by neutral and non-aligned states last month.

Failing an agreement on the document the conference appears condemned to close with a virtual admission of failure. Agreement would allow the process initiated at Helsinki to continue with a disarmament conference proposed for Stockholm in November. This would be devoted initially to military confidence-building measures.

The document, designed as a compromise between the neutrals' original proposal and the human rights amendments demanded by Western requirements on issues such as union rights, religious freedom and journalistic access.

It omits claims about jamming radio stations or recognition of the right to strike. While calling for improved conditions for journalists, it also avoids the issue of expulsions. It also fails to record Western protests at the conference following the clampdown in Poland.

Banks urge Bonn to reduce borrowing

By Jonathan Carr in Bonn

WEST GERMAN bankers have urged the new government coalition to back up its promises with quick, concrete action to cut state borrowing and promote economic growth.

At a Bonn news conference yesterday, the Federation of German Banks (BDB) stressed that the centre-right alliance had a chance to set a new course in economic and financial policy.

The key task was to agree on a binding medium-term concept to reduce the state's borrowing by cuts in spending—not through raising taxes.

Only through more private investment, encouraged by a cut in the tax-burden of enterprises, could economic growth be secured and more jobs created the federation said.

A note of concern is evident in both the statement from the banks and in several declarations from private industry since the general election on March 6.

Much of the private sector welcomed the election victory of the centre-right, and felt that the subsequent policy accords reached between the coalition partners pointed in the right direction.

Among other things, the coalition agreed to hold next year's net government borrowing requirement below DM 40bn (£10.6bn) (less than 2 per cent of GNP) while giving further tax and other incentives to business.

However, the coalition parties have yet to pin down just how this is going to be done. The fear in business is that the longer it takes to agree details, the more likely it is that the initial surge of confidence in the Government will fade.

In its statement yesterday, the federation said there were good prospects that the economy could emerge from three years of stagnation and recession. The country's current account was back in surplus and both inflation and interest rates were falling. On the other hand there was no cause for euphoria—for company earnings were still poor.

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EUROPEAN NEWS

Despite the U.S. missiles issue and a conservative Chancellor, **Jonathan Carr**, in Bonn, detects a new mood in across the border relations

Why East and West Germany may be getting on better than ever

WITH A NEW government of the Centre-Right in power in Bonn, this might seem an odd time to be talking about prospects for closer ties between the two German states.

After all, the Communist East Germans were highly critical of Chancellor Helmut Kohl's Christian Democrats (CDU) during the campaign for last month's general election and the new Bonn Minister for Inner-German affairs, Herr Heinrich Windelen, is reputed to be something of a hardliner on relations with the East.

Further, by the end of the year deployment of new U.S. nuclear missiles may well begin in the Federal Republic—bringing fresh tension between East and West in general and between the two parts of Germany in particular.

It is thus worth taking notice in this seemingly grim context when a senior West German Government official says he feels any worsening of inter-German ties over the missiles issue would be only temporary and that in the longer run he sees prospects of improved co-operation because this corresponds to deep-seated interests and desires on both sides of the border.

The official, who is in an unusually good position to judge the situation in both German states, deliberately avoided talking about German "reunification" in the sense of a single step which would sweep away the postwar division of the country. But he did believe there were better chances of gradual moves towards greater unity among Germans than many people seemed to imagine.

The comments came at a conference last week organised by the private Aspen Institute, which is sited on a West Berlin lake with the East German border clearly visible on the opposite bank.

The remarks were heard with marked interest and aroused ambivalent feelings among some participants, who included officials from the U.S., Britain and France. The Federal Republic's allies formally support the aim of free self-determination for the whole German people. On the other hand, there is an underlying uneasiness about what the power balance in central Europe might look like if this aim were ever realised.

Hence the relief often expressed among the allies that the question of reunification is not actively canvassed in the Federal Republic. As though emphasising the point, one young West German at the conference bluntly said he felt more attracted by the country's Western neighbours than by the other German state. Nods of understanding greeted this remark.

Chancellor Kohl (right), taking East-West relations beyond his predecessor, Herr Schmidt (left).

On the other hand, the West German official warned it was easy to misjudge the German situation by talking in slogans about the state, rather than in detail about the people. If asked, most West Germans would agree that East Germany was an "unjust state" and that they felt no sympathy for it. But if asked whether they felt a sense *of solidarity for* those Germans who lived on the other side of the border, in circumstances they had not chosen and heartily disliked, most would probably agree to that, too.

The official did not claim that all Germans felt part of the same "Fatherland" (although this word is regularly used by Chancellor Kohl, as it was not by his predecessor, Herr Helmut Schmidt). But he did believe there was a sense of German identity—even though this was hard to define—surviving the division of the country.

Over and above this sense of German identity, the official believed that most East Germans (including many in the Communist Party and the Government) felt themselves to be a part of Western civilisation—even though they were not free to adopt a democratic system. They saw all too clearly the weaknesses and failures of the Soviet system throughout Eastern Europe—and simultaneously could inform themselves in detail about the West through West German television which can be received almost throughout East Germany.

What conclusions emerged from this—for both German states? One was that the East German leadership, feeling itself to be on insecure ground, sought to give itself a greater appearance of legitimacy before its own people and the world. Historic cultural and other links, such as the celebration of the 500th anniversary of Martin Luther's birth—are officially encouraged to try to prove that East Germany has firm roots in the past. But—according to the West German official's view—the more the East Berlin leaders sought to dig back into the past to try to underpin a separate East German identity, the more they would discover, quite simply, a German one.

Another conclusion was that the East German leaders, deeply conscious of the economic failures of the Comecon system, put high priority on long-term co-operation with the Federal Republic—their closest Western neighbour and, as it happens, the strongest economy in Europe. It is often argued in Bonn that this process should be encouraged, partly because West German jobs are safeguarded but also because it may encourage the East German leadership to take a more humane attitude, for example over private visits to and from the East.

The West German official took the argument a step further, indicating that the Federal Republic had an interest in seeing that the other German state was not drawn too deeply into the crisis of the Comecon system. The implication was that there was a protective element about West Germany's role — that economic and scientific co-operation was a kind of lifeline connecting East Germany to the West, and to other Germans.

As often happens, the conference raised as many questions as it clarified (about Bonn's role in the West as well as about inter-German ties). But many participants left with the feeling that development of relations between the two Germanys was much more than a function of the "Ostpolitik" of the previous coalition in Bonn. The process seemed to have gained a momentum of its own—even if the movement was often so slow as to be almost imperceptible.

The conference, entitled "*Where is Germany Heading?*" was attended by government officials and diplomats, politicians, academics and media representatives.

Kohl demands border death inquiry

THE DEATH of a West German traveller while being questioned by East German border guards has brought a personal demand for an investigation from Chancellor *Helmut Kohl to President* Erich Honecker, writes Jonathan Carr.

He made the demand in a telephone call yesterday, after lower-level East German officials had failed to give an explanation satisfactory to Bonn. Herr Honecker has promised a speedy examination.

In the meantime, Herr Kohl has decided against going ahead with a planned meeting with Herr Guenter Mittag, a high-level East German economics expert, who is visiting Bonn.

***According to the East* German side, Herr Rudolf Burkert, of Asendorf, West Germany, died of heart failure while under questioning on April 10 at a crossing point between East Germany and West Berlin.**

Examination of the body in West Germany, however, showed several head injuries. Doctors felt any one injury might have been caused by a fall — but not all of them.

Despite the seriousness with which Bonn is viewing the affair, the Government is making clear that it is not putting relations with East Germany on ice altogether. Herr Mittag yesterday discussed increased economic co-operation with Count Otto Lambsdorff, the Economics Minister. Government officials said preparations were also continuing for a visit here, probably later this year, by Herr Honecker.

Hungary sure about World Bank loans

BY DAVID BUCHAN, EAST EUROPE CORRESPONDENT

A SENIOR Hungarian central banker said yesterday he was "deeply convinced" that the Reagan Administration would not press its doubts about his country's eligibility for World Bank loans to the point of trying to block them.

Mr Janos Fekete, first deputy vice-president of the national bank, said he told Administration officials in Washington earlier this month that Hungary would accept a general change in how the World Bank's 146 member countries borrow. Until then, however, Hungary has the full support of the Bank's staff and other member countries in seeking World Bank loans. He believed they would be approved in June.

At issue is whether Hungary, which joined the World Bank last year, is poor enough to borrow from it. A borrowing country must show a per capita income of less than $2,650.

The World Bank sets Hungary's income per head at just over $2,000. U.S. Administration officials have suggested its real level is double that, arguing in part that Communist definitions of national income do not include services, which are expanding in Hungary.

The Administration has raised the Hungarian issue, ostensibly out of its general concern that undeserving rich countries are drawing on the World Bank, to which the U.S. is the largest contributor. But the Administration also appears embarrassed at the possibility of bank loans being made to Communist countries, at a time when it is trying to squeeze more funds from Congress for the World Bank.

Mr Fekete said that the U.S. calculation of Hungary's income seemed based on an outdated exchange rate. He also noted that a lowering in the World Bank eligibility ceiling could jeopardise lending to countries such as Brazil and Yugoslavia, and this would run counter to U.S. interests.

Hungary hopes to obtain approval in June for two loans totalling $230m, for grain production and energy saving. It is also discussing two more loans with the Bank—for export promotion and deep oil drilling.

Denial of these loans would change materially Hungary's prospects, Mr Fekete said. But the country's 1983 financing requirements and debt servicing burden of some $1.7bn, owed this year in principal and interest, would be largely assured by a $400m standby credit drawing from the International Monetary Fund, commercial borrowing and progress towards a $600m current account surplus.

A $200m credit led by Deutschebank was signed here yesterday and Mr Fekete said that Hungary had borrowed around $100m from Arab and other banks in the first quarter of this year.

New orders to Swedish industry up 3%

By David Brown in Stockholm

SWEDISH INDUSTRY took 3 per cent more orders between December and February than over the previous three months, according to seasonally-adjusted official figures. Orders in February were up 7 per cent on January. Export orders climbed 9 per cent and domestic orders by 6 per cent.

The industrial production index fell 0.7 per cent in February compared with the previous month, but rose by 4.6 per cent against the same month last year. Industrial production grew 2 per cent from December to January, up 2.4 per cent against January 1982. Higher production is forecast this spring on the basis of the latest order volume results.

Higher exports are a key element in Prime Minister Olof Palme's economic recovery plan. His government devalued the krona by 16 per cent last October to give exporters a competitive boost.

Deaths on road increase at slower pace

By John Wicks in Zurich

ROAD DEATHS are no longer growing at the same rate as the increase in motor vehicles, according to a long-term study by Swiss Reinsurance Company. The number of fatalities per 10,000 motor vehicles registered dropped substantially between 1970 and 1981. Since 1973 they have declined without interruption in each of 12 countries examined.

Nevertheless, an average of 165 car passengers, 100 motorcyclists and cyclists and 65 pedestrians are killed on the roads every day.

Practically all countries introduced new measures to limit the risk of road accidents during the 1970s, including such moves as speed limits on rural and urban roads and the compulsory wearing of seatbelts. Preventive measures have proved particularly successful in built-up areas, the report claims.

There were 420m vehicles in the Western hemisphere by 1980 and the figure is growing annually by some 12m-15m.

Election doubts grow in Nigeria

By Quentin Peel, Africa Editor

A FRESH element of uncertainty has been introduced into the forthcoming Nigerian elections with the death on Sunday of Malam Aminu Kano, leader of the People's Redemption Party and one of six prospective presidential candidates.

His death comes at a time of rapidly heightening election fever in the country, coinciding with economic austerity as a result of the depressed level of Nigeria's all-important oil production.

Five separate polls are due to be held between the beginning of August and the end of September, including voting for a new President, governors for the 19 separate states, and a national assembly.

Malam Aminu, a veteran of Nigerian politics since the 1940s, was a Socialist and the most radical candidate for the Presidency, but his support was overwhelmingly concentrated in Kano state, the most populous in northern Nigeria, and neighbouring Kaduna state.

His death is likely to result in a fierce battle between the ruling National Party of Nigeria, led by President Shehu Shagari, and the opposition Progressive Peoples' Alliance for the support of the rump of his party, which was held together largely by his own personality.

The President yesterday flew to Kano city to pay his respects to his former rival, with whom he had maintained good relations. Other party leaders are expected to do the same.

There is no certainty that the PRP will hold together for the election campaign, because it was already divided between the supporters of Malam Aminu and those of Governor Rimi of Kano state and of Alhaji Balarabe Musa, former governor of Kaduna state.

Governor Rimi and his supporters have already lined up with the Progressive People's Alliance by joining one of its two major parties, the Nigerian People's Party, led by former President Nnamdi Azikiwe.

Prem likely to remain Thailand's Premier

GENERAL Prem Tinsulanonda, who has ruled Thailand for the past three years, seems likely to retain the Thai Premiership whichever political parties come out on top in yesterday's general election, writes Richard Cowper in Bangkok.

Leaders of the two main opposing camps in Thailand's bitter election campaign have made it clear that they favour a government led by Gen Prem.

In a surprise move before polling ended, Mr Kukrit Pramoj, who has led the fight against those parties backing an army move to bolster its influence over Thai politics and government, called on Gen Prem and asked him to continue in office and form the next government.

Mr Kukrit, the leader of the centrist Social Action Party which is expected to gain the most seats in the next parliament, appears resigned, however, to having a military man as the country's next Prime Minister.

Gen Arthit Kamlang-Ek, commander-in-chief of the Thai army and the man who led the campaign to prevent the emergence of a more democratic Thai constitution, has also expressed his support for Gen Prem.

Thai offer of talks in Hanoi

Siddhi Savetsila, Thailand's Foreign Minister, may be prepared to go to Hanoi to open a dialogue with Vietnam provided that Hanoi withdraws its troops 30 kms from the Thai-Kampuchea border, writes Richard Cowper in Bangkok.

He also said that he would be prepared to act as a mediator between Peking and Vietnam. Vietnam has always maintained that it would not withdraw its estimated 180,000 troops from Kampuchea until the "China threat" was removed.

The Thai offer, made public in a Bangkok newspaper yesterday, was made to Nguyen Co Thach, Vietnamese Foreign Minister, when he visited Bangkok last month. Until now Thailand has maintained that no talks would be held until Vietnam withdrew all its troops from Kampuchea.

Chinese Premier in attack on Vietnam

Zhao Ziyang, the Chinese Premier, made a strong attack on the Soviet Union and Vietnam yesterday, accusing Vietnam of repeated military provocations along the Chinese border, writes Michael Thompson-Noel in Sydney.

Zhao was speaking in Canberra, at an official luncheon to mark a week-long visit to Australia which started on Sunday.

Trade and economic relations are expected to dominate the Chinese delegation's talks in Australia, given Peking's keenness to redress the balance of trade—currently almost three to one in Australia's favour.

Record capital inflows for Australia

Australia recorded private capital inflows totalling A$884m ($495m) last month, easily overshadowing a speculative A$560m outflow seen in February before the 10 per cent devaluation of the Australian dollar on March 8, writes our Sydney Correspondent.

The net capital inflow in March was A$752m. The current account deficit was A$535m, leaving an overall surplus on the balance of payments of A$217m. This compares with a deficit in February of A$1.1bn.

Algerian entrepreneurs come in from the cold

BY FRANCIS GHILÈS

THE ALI family of Algiers has been running a prosperous and diversified private business for many years, not least because they understand the Algerian system. Mr Ali senior played an important role during the war of liberation; the Government thus has not dared touch the family leather and textile business, which employs 300 people, writes Francis Ghiles.

In their turn, his sons have opened smaller businesses, one processing chemicals, another making plastic goods with about 10 employees each.

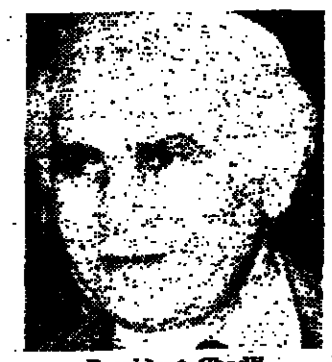
One son saw to it that when he increased the capital of his company a senior official bought a stake, thus protecting him from undue interference.

The family knows that it is unwise to refuse any military officer who wishes to buy directly from the factory, despite the fact that this is against the law.

Of course, such practices opened the door to corruption and some businessmen have amassed large fortunes. One such is Mohammed Zeghar, who was close to President Boumedienne and involved in the award of foreign contracts. Mr Zeghar was arrested and charged with misuse of funds in January and will be tried by a military court.

People in the professions got around the problem in other ways, mainly by barter. Lawyers and doctors were often paid in kind, causing a growing black economy.

President Chadli's plans to integrate the black economy into he overall system should encourage more efficient planning in the long term.



President Chadli

"WHAT YOU see here would have been unthinkable at the time of President Boumedienne," says Si Ahmed, a textile manufacturer, pointing to the vast building site outside Oran's Es Senia airport in the West of Algeria. Last year, the governor of this major city asked all private entrepreneurs to relocate and build new factories on the new site.

When the new industrial zone is completed, all private businesses, mostly making textiles and leather goods will move out of the city. The old factories will be destroyed or converted for other purposes. Oran will become a cleaner and safer city, and the private sector will enter a new dynamic phase.

For many years "entrepreneur" was a dirty word in Algeria. Private businessmen were treated like pariahs, forced to conceal their profits in real estate, or send them discreetly abroad to Tunisia, France or Switzerland.

In an austere socialist country where the economy was dominated by a string of large state corporations, Western-style consumer goods were not encouraged. Even today, Algerian beach resorts do not have the attractions of the rest of the Mediterranean.

Despite these restrictions, however, the private sector is alive and well. Today it provides one-third of all jobs in the country, generally at higher rates of pay than in state-owned companies.

Most of the 315,000 private businesses are small stores, factories or service companies which employ fewer than five people, often members of the same family. But a growing number are larger, producing goods like textiles, plastics or television sets.

Official policy has also changed. President Chadli Bendjedid has welcomed the private sector's contribution to the economy so long as it plays a role "complimentary to the public sector."

It took more than one presidential speech to convince the private sector that its activities were truly welcome, however. It had survived through the years of President Houari Boumedienne's rule until 1978 thanks to hard work, discretion and the stakes that a number of influential officials, including some Ministers, held in private companies.

However, it could not look forward to a rosy future. A factory of five or 10 workers might be safe, but if it expanded to 100 or so, it could be construed as a threat to socialism.

The decision to encourage the private sector is part of a larger re-assessment by President Chadli of Algeria's economic priorities, which envisages the division of the giant state companies into smaller, more specialised and decentralised units.

Pricing policy is to be changed so that subsidies are eliminated and state produced goods are on a par with products manufactured by private enterprise. The aim is to increase low productivity levels, to produce more goods and services for the country's fast growing population.

Private businessmen have also been encouraged by rules introduced last year which allow them to import capital goods from abroad with less bureaucratic obstruction than before. Local and provincial authorities, who previously would not sell to private companies, now often seek them out as partners.

Another major factor behind this shift in policies is the need to create new jobs. More than 50 per cent of Algerians are under 21 and the population is increasing at a rate of 3.2 per cent a year.

Israelis protest at West Bank settlement ceremony

BY DAVID LENNON IN TEL AVIV

TEN THOUSAND Israelis demonstrated in pouring rain beside Nablus on the occupied West Bank yesterday as the government dedicated a new settlement meant eventually to dwarf the most militant Palestinian town in the area.

Supporters of the Peace Now movement turned out in their thousands on Israel's 35th independence day to protest against the government's settlement policy, which the demonstrators believe is lessening the chances of peace in the Middle East.

Because of the demonstration, the government held a surreptitious ceremony in a nearby building at which Mr David Levy, the deputy Prime Minister, announced the conversion of the paramilitary settlement of Bracha into a civilian settlement.

The government plan is to develop Bracha into a large urban Jewish settlement which will overshadow Nablus in the same way as Upper Nazareth dwarfs the historic Arab town of Nazareth in Israel.

The opposition Labour party also condemned the government's decision. Mr Shimon Peres, the party leader, said the creation of "Upper Nablus" would divide the nation and reduce the chances for achieving peace with the country's neighbours.

More Moslem militants flogged in Karachi

KARACHI — Pakistani jailers have flogged 132 more Moslem militants for taking part in religious violence in Karachi, the government said yesterday. Punishment was carried out at Karachi central jail, where 84 others were whipped on Friday.

The punishment was ordered by a military court which tried 232 people arrested when police broke up an attempted protest march by Shia moslems on Friday.

Four police were wounded during battles to break up the march by about 2,000 people, part of a long-running dispute between majority Sunni Moslems and minority Shias about the ownership of a suburban mosque.

Twelve people have died in fighting in February and March which resulted in parts of Karachi being put under curfew. Reuter

Pakistan survey, Section IV

Defence to top agenda in Japan's talks with West

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

DEFENCE is likely to figure prominently in three sets of consultations Japan is to hold with major Western nations before the end of this month. The talks appear to be, at least partly, a substitute for consultations with Nato.

The meetings, in quick succession, will be with Mr James Dobbins, U.S. Deputy Assistant Secretary of State for European Affairs, M Francois Gutman, the French Secretary General for External Relations, and Mr David Gillmore, Assistant Under-Secretary at the Foreign Office for defence matters.

Japanese officials emphasised yesterday that the meetings with Mr Dobbins and M Guttman would not concern defence alone. However, Japan is making no secret of its anxiety to impress on the West the importance of including Asia in disarmament negotiations at Geneva. This general point, coupled with the specific concern felt in Tokyo about the deployment of SS-20 missiles in eastern Siberia is likely to be emphasised at all three meetings.

The meetings with Mr Dobbins—which Japanese officials say are part of a "regular" series of consultations with senior State Department officials are scheduled for April 21 and 22. Those with M Guttman will be held on April 25 and 26 to be followed immediately by the talks with the British.

Kuwait to raise spending by 4%

By Patrick Cockburn

KUWAIT is to raise its spending by 4 per cent in the financial year beginning July 1 despite a fall in its oil revenues, according to the country's latest budget.

Spending will rise to KD 3.5bn ($12bn) from KD 3.4bn, Mr Abdel-Aziz Hussein, Minister of State for Cabinet Affairs, said yesterday. But he gave no figures for revenues.

Several public sector developments are being delayed because of reduced revenues, but Kuwait has never spent as heavily on industrial projects or military procurement as other Gulf countries.

Kuwait has budgeted for a small deficit of $600m during the present financial year, but this does not include its income from investments overseas worth more than $50bn.

In Qatar, oil revenues are expected to fall by half this year to $2.45bn, the Finance and Petroleum Ministry said.

There will be a $3.9bn budget for the financial year which began last year, but the final size of the deficit is difficult to forecast.

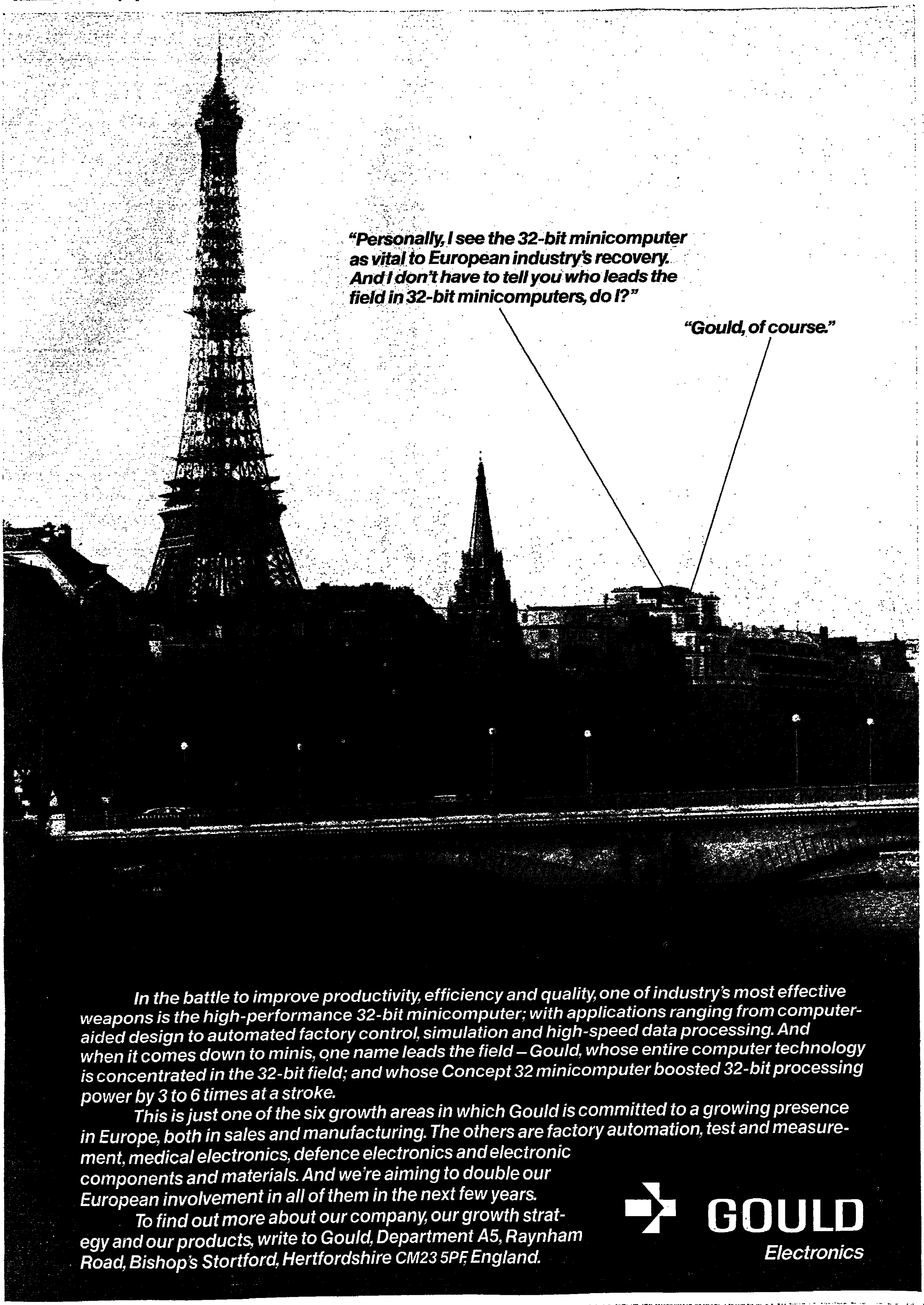
In the past, the government has reacted to a fall in its revenues by delaying payments and postponing projects, but defence and aid are both excluded from budget projections. Qatar's reserves are believed to total $8bn-$9bn.

Both Kuwait and Qatar are producing oil at well below capacity, with output from Kuwait 800,000 barrels a day in February compared with a capacity of 2.5m b/d. Qatar's production was 200,000 b/d in the same month compared with capacity of 650,000 b/d.

BASE LENDING RATES

A.B.N. Bank	10 %	Grindlays Bank	‡10 %
Al Baraka International	10 %	■ Guinness Mahon	10 %
Allied Irish Bank	10 %	■ Hambros Bank	10 %
Amro Bank	10 %	Heritable & Gen. Trust	10 %
Henry Ansbacher	10 %	■ Hill Samuel	§10 %
Arbuthnot Latham	10 %	C. Hoare & Co.	†10 %
Armco Trust Ltd.	10 %	Hongkong & Shanghai	10 %
Associates Cap. Corp.	10 %	Kingsnorth Trust Ltd.	12 %
Banco de Bilbao	10 %	Knowsley & Co. Ltd.	10½%
Bank Hapoalim BM	10 %	Lloyds Bank	10 %
BCCI	10 %	Mallinhall Limited	10 %
Bank of Ireland	10 %	Edward Manson & Co.	11½%
Bank Leumi (UK) plc	10 %	Midland Bank	10 %
Bank of Cyprus	10 %	■ Morgan Grenfell	10 %
Bank Street Sec. Ltd.	10½%	National Westminster	10 %
Banque Belge Ltd.	10 %	Norwich Gen. Tst.	10 %
Banque du Rhone	11 %	P. S. Refson & Co.	10 %
Barclays Bank	10 %	Roxburghe Guarantee	10½%
Beneficial Trust Ltd.	11 %	Royal Trust Co. Canada	10 %
Bremar Holdings Ltd.	11 %	Slavenburg's Bank	10 %
Brit. Bank of Mid. East	10 %	Standard Chartered	‖10 %
■ Brown Shipley	10½%	Trade Dev. Bank	10 %
Canada Perm't Trust	11 %	Trustee Savings Bank	10½%
Castle Court Trust Ltd.	10½%	TCB	10 %
Cayzer Ltd.	10 %	United Bank of Kuwait	10 %
Cedar Holdings	11 %	Volkskas Intl. Ltd.	10 %
■ Charterhouse Japhet	10 %	Westpac Banking Corp.	10 %
Choulartons	11 %	Whiteaway Laidlaw	10½%
Citibank Savings	‡10 %	Williams & Glyn's	10 %
Clydesdale Bank	10 %	Wintrust Secs. Ltd.	10 %
C. E. Coates	10½%	Yorkshire Bank	10 %
Comm. Bk. of N. East	10 %		
Consolidated Credits	10½%		
Co-operative Bank	*10 %		
The Cyprus Popular Bk.	10 %		
Duncan Lawrie	10 %		
E. T. Trust	11 %		
Exeter Trust Ltd.	11 %		
First Nat. Fin. Corp.	13 %		
First Nat. Secs. Ltd.	13 %		
Robert Fraser	11½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 6.75%, 1-month 7.00%. Short-term £8,000/12-months 8.35%.
† 7-day deposits on sums of: under £10,000 6¼%, £10,000 up to £50,000 7¼%, £50,000 and over 8¼%.
‡ Call deposits £1,000 and over 6¼%.
§ 21-day deposits over £1,000 7¼%.
‖ Demand deposits 6¼%.
¶ Mortgage base rate.


"Personally, I see the 32-bit minicomputer as vital to European industry's recovery. And I don't have to tell you who leads the field in 32-bit minicomputers, do I?"
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Electronics

Mary Helen Spooner in Santiago explains why a crackdown on dissent ignores a major problem

Chilean junta fears the discontented poor

THE CLOUD of rumours which hung over Chile earlier this year about the supposed political demise of General Augusto Pinochet has blown away. But the pressures on his regime to contain the country's worsening economic crisis remain as strong as ever.

Recently Sr Carlos Caceres, the Finance Minister, announced a long awaited package of economic measures aimed at reactivating the economy and providing a policy framework for the renegotiation of $3.5bn in foreign debt due this year and next.

It included a rescheduling plan for domestic debtors, a modification of Chile's sliding exchange rate and a temporary hike in import tariffs from 10 to 20 per cent—not as much as many Chilean industrialists had urged in the past.

Chile's business community reacted in lukewarm fashion, feeling that the measures did not go far enough to restore the economy to rights. The Opposition groups stepped up their activity and last month 250 people were arrested during an illegal "march against hunger" in the centre of Santiago.

Gen Pinochet warned the marchers that in future his Government would "wield a harder hand than they imagined." He also curtailed a plan to allow thousands of exiled Chileans banished by his government to return home.

Yet increased surveillance and a tougher crackdown on protest will not solve the problems provoking the unrest. The Government's National Statistical Institute (INE) reports a decline in unemployment from 24 per cent last year to 20.8 per cent this year, but the number of out-of-work Chileans enrolled in the Government minimum employment programme, who earn just 2,000 pesos (about £18) per month, has increased to 9.8 per cent of the workforce.

A similar programme to employ heads of households in public works projects paying 4,000 pesos per month now accounts for another 3 per cent. Adding these two groups to the official figure, unemployment in Chile could be said to affect fully one third of the labour force.

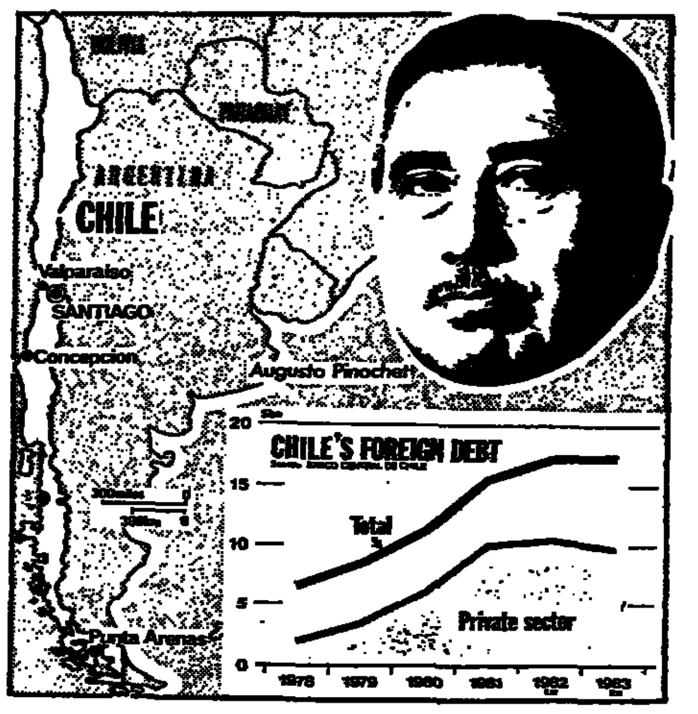
The earnings of those Chileans fortunate enough still to have jobs have deteriorated by 16 per cent over the past year, according to INE's calculations. In addition, labour groups have questioned the official consumer price inflation calculations, arguing that low-income families purchase less than 60 of the 348 items used in determining the monthly inflation figure. The cost of a poor family's typical purchases is said to have increased at a faster rate than the official figure suggests.

The regime is worried that the discontented poor could be forged into a well-organised grassroots opposition movement. "The Government is watching the church and the labour unions like a hawk," one diplomat in Santiago commented.

Recently the residence visas of three foreign priests—two Irish and one Australian—were revoked, the first time foreign clergy had been expelled since the mid 1970s. The priests were accused of running "politically orientated" soup kitchens in poor areas of Santiago.

While the regime is maintaining a hard-line policy towards labour and Catholic Church dissidents, it appears to be following more subtle tactics toward leaders of Chile's disbanded political parties. Recently, a new group calling itself the Project for National Development (Proden) presented a bold proposal calling on Chile's four-man junta to assume executive power and to hold elections for a unicameral congress within six months.

Proden has also sent letters to the four junta members—army commander Gen Raul Benavides, naval commander Adm Jose Merino, military police commander Gen Cesar Mendoza and air force commander Gen Fernando Matthei—requesting an audience to discuss the country's economic problems and alternatives to the lengthy transition to democratic rule. Under the existing plan, passed in a controversial constitutional plebiscite in September 1980, Chile will not have a popularly-elected Government until after 1997.



Proden's strategy appears scrupulously to follow all Government legalisms and protocol, while seeking to capitalise on any differences between junta members and between the junta and the President. In effect, the Proden proposals offer the four-man junta a face-saving way of turning power over to civilians. Nevertheless, officials seem unlikely to take the bait at present.

Recently Gen Matthei, speaking on the anniversary of the founding of Chile's air force, said his institution fully backed the Government's plan for a slow transition to democracy.

His statement has temporarily ended any speculation that the man thought to be the most liberal junta member might support the Proden proposal. Adm Jose Merino has also stated his support for the regime's timetable.

While there has been little official public reaction to Proden's efforts, and the group's members do not appear to have suffered any reprisals, Gen Pinochet's subordinates have made it clear there will not be any high-ranking desertions from the regime for the moment.

Volcker calls for intervention on exchange rates

BY ANATOLE KALETSKY IN WASHINGTON

MR PAUL VOLCKER, chairman of the Federal Reserve Board, has called for U.S. intervention to stabilise exchange rates in his clearest public departure to date from the Reagan Administration's official approach to economic policy.

Mr Volcker made his call in a week-end speech in Rome to the Trilateral Commission, technically a private forum, but one in which his remarks were assured of widespread publicity. In the past Mr Volcker's personal distaste for the Administration's strict hands-off policy towards exchange rates was well known. But since the 1980 presidential election, he had never stated his position in a way which was likely to be attributed directly to him.

Mr Volcker's decision to make his views known at the Trilateral Commission, a body consisting of leading businessmen, politicians and public servants from the U.S., Europe and Japan, appears to indicate a growing difference of opinion between the Fed and the Treasury.

Recently, Mr Anthony Solomon, the president of the Federal Reserve Bank of New York, stated his support for a degree of stabilising currency intervention in a completely public speech, circulating the text in advance.

However, on exchange rate policy, as opposed to domestic monetary policy, the Fed does not have any authority to act independently of the Treasury. The New York Fed performs currency interventions solely as the Treasury's agent and on its instruction. Treasury officials were emphatic yesterday that Mr Volcker's remarks, which were passed on by members of the Trilateral Commission to a Washington Post reporter in Rome, did not indicate any change in administration policy.

The Administration's official position, put repeatedly by Mr Donald Regan, the Treasury Secretary, and Mr Martin Feldstein, chairman of the Council of Economic Advisers, is that the Government cannot outguess the markets on what is an appropriate level for the exchange rate.

The Fed believes that its attitude to exchange rates is not fundamentally incompatible with this, because Mr Volcker strongly supports the general idea of floating currencies and is definitely against a return to fixed exchange rates or an international gold-standard. In his Rome remarks, he is understood to have supported only the concept of "smoothing intervention." This is designed to prevent currencies "overshooting," within a floating system, beyond theoretically variable equilibrium levels which are dictated by fundamental economic conditions.

Despite its limited scope, however, such smoothing intervention has turned into a major bone of contention between the U.S. and some of its trading partners. The Administration is bound to be displeased if its arguments against intervention, which have already been criticised by a study commissioned at last year's economic summit in Versailles and due to be made public on April 29, are further undermined by the Fed.

● The White House yesterday denied Press reports that President Ronald Reagan had decided not to reappoint Mr Volcker for a second term as Fed chairman.

U.S. warns Soviet Union against missiles response

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

THE U.S. has again warned the Soviet Union against introducing medium-range nuclear missiles into the Western hemisphere in response to any deployment of new U.S. cruise and Pershing 2 missiles in Western Europe.

Mr Victor Isakov, Minister-counsellor at the Soviet embassy in Washington, on Sunday repeated long-standing Soviet threats to respond in an equivalent manner if the U.S. deployment goes ahead in Europe at the end of this year—although he was vague about how and where the missiles might be deployed.

Asked about Mr Isakov's remarks on American television shortly afterwards, Mr Richard Perle, Assistant Secretary of Defence for International Security Policy, said that any such move by Moscow would be "a very dangerous escalation, a wholly unnecessary one."

Mr Perle said that there was "no security imbalance in this hemisphere that could in any way compare to the imbalance that the Soviets, by virtue of their building programme, have created in Europe."

Mr Isakov said that "on our part, it will be a forced decision because our medium-range missiles as of now cannot reach the territory of the U.S., while yours will be able" to reach Soviet territory.

While Washington would be seriously alarmed if the Soviet Union did in fact introduce missiles into Central America, recalling the 1962 Cuban missile crisis, the threats are being taken so far largely as propaganda.

If the Soviet missiles were really to be "equivalent" to the U.S. cruise and Pershing 2s, they would have to be land-based. Soviet submarines, which could launch a massive nuclear strike against the U.S. in a matter of minutes, are already deployed in considerable numbers not far off the American coast.

Latin American governments would bitterly oppose the introduction of nuclear missiles on the mainland of their continent, which is officially a non-nuclear area under the treaty on Tlatelolco, signed by most Latin American countries in 1967.

Washington Post to launch weekly tabloid

WASHINGTON—The Washington Post said yesterday it plans to launch a weekly tabloid-size national newspaper, called the National Weekly, this autumn.

The newspaper company said the paper will repackage stories from the daily Washington Post for a "select audience." It will be "designed for the reader who wants to know more about what goes on in Washington—about politics, the Federal Government and the economy," said Mr Donald E. Graham, publisher of the Post.

The company has been studying the project for about 18 months. It would not say how much it plans to spend on the venture, but said initial "target circulation" would be "in the 30,000 range."

Subscriptions will be initially $39 a year, and single copies will sell for $1 on news stands "in several major U.S. cities."
AP-DJ

Hollings to be candidate for Presidency

COLUMBIA—Pledging to put America's jobless back to work, Sen Ernest "Fritz" Hollings of South Carolina announced his candidacy yesterday for the Democratic Party's Presidential nomination.

Sen Hollings, 61, a three-term senator and former South Carolina governor, joined a growing list of contenders for the Democrats' nomination.

Others who formally have announced their candidacy for the Democrats' nomination are former vice President Walter F. Mondale, Colorado Senator Gary Hart, California Senator Alan Cranston and former Florida Governor, Reubin Askew. Ohio Senator John Glenn, the former astronaut, is scheduled to announce his candidacy on Thursday.
AP

Fees set for membership of Ditchley Institute

BY WILLIAM HALL IN NEW YORK

BANKS WILL be able to join the Institute for International Finance, which is being set up to provide better and more up-to-date information on the world's borrowing nations, for as little as $7,000 (£4,500) a year.

The annual fee has been kept low in order to encourage as many banks as possible—more than 2,900 are believed to be involved in international banking—to join the new Washington-based institute. Dubbed the "Ditchley Institute" since it was first thought of following a meeting of international bankers at Ditchley Park in the UK, it should be fully operational by the end of the year.

Mr Bill Ogden, the former vice-chairman of Chase Manhattan and chairman of the institute's interim board of directors, said recently that the estimated annual cost for banks with international loan exposure of up to $2bn, will be about $7,000 a year. Banks will be divided into three categories, depending on the size of their international business. The biggest are expected to pay just under $100,000 a year followed by a second category which are expected to pay between $10,000 and $15,000 a year.

Italian contractors worried by loss of overseas work

BY JAMES BUXTON IN ROME

ITALIAN construction companies and government ministers are becoming increasingly worried by the recent sharp drop in new foreign orders for Italian contractors and plant engineering companies.

The latest figures indicate that in 1982 Italian companies won only L2,350bn ($1.7bn) worth of contracts overseas, compared with L5,730bn in 1981. Projections for 1983 are thought to be even worse.

The bulk of Italian overseas construction work is in developing countries, both those which are members of Opec and those which are not big oil exporters. Both types of country have been hit by the recession, the Opec countries through a reduction in their oil revenues, and the non-oil exporting countries through debt problems.

The Italian contractors have been hit, like those of other European countries, by competition from contractors in the Far East, such as South Korea, which have much lower labour costs.

But some Italian contractors believe that they are now doing worse abroad than their competitors in West Germany, France and Britain, who they claim have suffered far less if at all from the current crisis in overseas construction orders.

Among the most popular scapegoats are the Italian banks, which the contractors claim, are less flexible and competitive than their European equivalents in offering Italian contractors financing packages. They also suggest that other European governments give better financial support for overseas projects than does the Rome Government.

Both Sig Emilio Colombo, the Italian Foreign Minister, and Dr Guido Carli, the former Bank of Italy governor who is chairman of Impresit, a major contractor, said last week that they believed the answer lay in helping developing countries to cope with their debt problems and guiding them through their current difficulties. But both also pinpointed the bad effects on Italian contractors of the high Italian inflation rate which at 16 per cent is increasingly out of line with those of competing countries.

But while contractors are doing badly overseas they are hoping for better things in Italy. Though house building in the big cities remains nearly stagnant, there are large programmes in the pipeline for completing the autostrada network and improving the railways.

Food and accents concern Japanese in Britain

BY OUR WORLD TRADE STAFF

A LACK of Japanese teachers for expatriate children, difficulty in coping with regional accents in the UK and a shortage of Japanese foods in restaurants are cited as obstacles to increased Japanese investment in Britain.

The observations appeared in a survey sponsored by the Industry Department and the Japanese External Trade Organisation (Jetro). It found, however, that industrial production in Japanese-owned plants in the UK was higher than expected and labour relations were still going through a "honeymoon atmosphere."

The study pointed out that the biggest concentration of Japanese companies was in the Cardiff area and that a community atmosphere was beginning to form between the Japanese and Welsh.

"The biggest difficulties are finding the right kind of fresh raw fish and education", said Mr George Murray, a director with European Company Services, which conducted the study. In some cases, he said, children had been sent home to Japan because they had developed Welsh accents "or worse, still, speak Welsh".

The survey showed that the Japanese considered British workers as skilful and helpful. The main complaint was the low standard and inefficiency of component suppliers in Britain. This was being resolved by Japanese executives visiting suppliers and "supervising" production.

John Brown wins £60m power order

By Mark Meredith, Scottish Correspondent

JOHN BROWN Engineering of Clydebank yesterday announced a £60m order to supply a complete power station to Thyssen Steel of West Germany.

The power station will provide both electricity and steam for a petrochemical works which Thyssen is building in the Far East, although neither John Brown Engineering or Thyssen would say which country was involved.

The contract provides for six of the new, fuel-efficient Frame VI gas turbines along with boilers and ancillary equipment.

The Scottish based engineering company now has orders worth about £200m under way. These include the £104m order for 21 gas turbines for the Soviet gas pipeline.

A further contract to supply one more gas turbine worth £8.5m to the Soviet Union was announced last week. It brought to 68 the number of gas turbines the company has supplied to Russia—the company's largest customer.

Rolls-Royce export finance

By Michael Donne, Aerospace Correspondent

A $54.5m (£35.5) LOAN for Rolls-Royce RB-211-535 engines for Boeing 757 jets for Eastern Air Lines of the U.S. has been arranged by a group of banks, headed by Lazard Brothers.

They are the National Westminster Bank Group as joint lead manager, Lloyds Bank International and Standard Chartered Bank, with Export Credits Guarantee Department support.

Kloeckner to build Sabah gas complex

Kloeckner Industrieanlagen has won an order worth DM 560m (£150m) from the Malaysian company, Sabah Gas Industries, Reuter reports from Hanover. The order covers construction of a turnkey methanol complex with an integrated power station on the island of Labuan.

Traditional order and discipline are not enough. **John Wicks** reports from Zurich

Recession hangover hits Swiss exports

THE SWISS economy, historically one of the most well ordered in the West and, hence, one of the most envied, is heading for trouble in the area most responsible for its success—exports.

At first glance this might not seem to be the case. In 1982 merchandise exports were down only 0.3 per cent on the previous year, compared with a 3.4 per cent fall in imports. This meant a narrowing of the Swiss trade gap by more than 25 per cent—the major factor in an improvement of the surplus on current account from just over SwFr 3bn (£1.6bn) to around SwFr 7bn for the year.

This apparent success was due solely to changes in price levels, however. While average export prices went up by 3.6 per cent in 1982, those for imports fell in Swiss franc terms by 1.4 per cent; in effect, export volumes were down more sharply than imports.

At the same time, the export figures largely reflected earlier orders. Since last spring, the inflow of new industrial orders from abroad has been substantially lower than 1981 levels. The combination of sluggish demand and increasing competition has also meant that it is more difficult to obtain adequate prices for new orders.

Switzerland with a population of less than 6.4m, has only a small domestic market and depends on foreign demand. Exports of goods and services amount to almost one-third of Gross National Product.

Although the Swiss reputation for organisation and precision is unrivalled, the size of its domestic market leaves it precious little leeway if the world economic scene goes into decline. A glimmer of light is only now beginning to appear for an export-led recovery.

Both consumer and investment demand is in any case down in Switzerland, and even when consumption finally starts to pick up again, the firmness of the currency may be expected to favour imported goods.

Key industries are feeling the pinch. At the end of last year, the machine-building sector had under six months' production on order, a record low, and there has been no sign of any improvement since. The chemical industry, which exports almost all its production, showed a steady shrinkage in orders throughout 1982 and views prospects for the current year "with reserve." Watch exporters saw orders dwindle by 22 per cent in the final quarter of last year compared with the corresponding period of 1981.

Although domestic business did not fall off so drastically (orders from the home market were marginally higher in the fourth quarter of 1982 than a year earlier), virtually the whole of Swiss industry has lost ground over the past year.

In the October-December period, only the printing trades had more orders than a year before. These indicators do not show what happened to the foreign subsidiaries of Swiss multinationals — frequently much more important than the parent companies—but early annual reports show that many companies have had trouble abroad, too.

This year has not had an encouraging start. In the first two months, merchandise exports were down by 2 per cent on the corresponding period in 1982, the equivalent in real terms of 8.5 per cent. This followed an inflation-adjusted drop of 7.3 per cent in the fourth quarter of 1982. In the third and fourth quarters of 1982, GDP had fallen in real terms by 2.5 and 2.4 per cent compared with the previous year.

There is little the Swiss can do to improve matters. A job-creation programme, announced in January, is based primarily on the acceleration of Government contracts. The only move promoting exports is the decision to advance an additional SwFr 170m in repayable Government money to the Export Risk Guarantee Fund this year and next and to earmark an extra SwFr 100m for joint credits and aid to countries with balance of payment problems.

Anything approaching protectionism outside the agricultural sector is generally unthinkable in Berne, and it is not likely that the authorities would countenance a return to programmes granting foreign-currency support to ailing exporters.

The Swiss are dependent on a world recovery. Business opinion is optimistic that signs of improvement will appear about mid-year. As long as the Swiss franc does not rise too strongly again, there is reason enough to hope for a modest recovery in the second half of 1983 and probably a further improvement next year.

There are already some good indications. A survey conducted by the Union Bank of Switzerland shows that almost 30 per cent of all companies questioned are expecting second-quarter orders to be up on those for the same period of 1982, while Credit Suisse claims there has recently been a slight overall rise in export contracts.

Both banks anticipate a modest growth in industrial output in the next couple of months, even though this will remain well below corresponding 1982 levels.

U.S., Morocco in talks on investment treaty

BY FRANCIS GHILES

THE U.S. and Morocco are negotiating an investment treaty which both sides hope will increase the volume of U.S. investment in Morocco. Trade between the two countries is currently characterised by a massive Moroccan deficit.

Moroccan exports to the U.S. were worth Dirhams 136m ($20.7m) in 1981 while imports from the U.S. reached Dh 1.57bn. Figures for the first 11 months of 1982 were Dh 148m and Dh 1.415bn. During the last two years about half of the value of U.S. exports are accounted for by cereals following the severe drought of 1979-1981.

Last year the Moroccan Parliament passed an investment code which allows foreigners to hold 100 per cent equity in Moroccan companies. Foreigners are also allowed to remit all profits after tax to their home base and all the initial capital they invest and accrued capital after five years.

A one-day forum sponsored by Chase Manhattan Bank and the Moroccan Office de Developpement Industriel in New York last week was addressed by M Taieb Bencheick, and M Azzedine Guessous, respectively Moroccan Ministers of the Economy and Trade. The U.S. was represented by the Deputy Assistant Secretary for Trade, M Joseph Dennin.

The choice of Chase Manhattan is the direct result of the efforts being made to develop relations between the U.S. and Morocco by the U.S. ambassador to Rabat, Mr Joseph Vernon Reed who, until two years ago was a close adviser to Mr David Rockefeller.

● The first meeting of a joint economic commission set up by Britain and Tunisia will meet in Tunis next Thursday. It will be attended by Mr Douglas Hurd, Minister of State at the Foreign Office.

UK exporters wary of Libya, Iran and Iraq

Financial Times Reporter

THERE IS growing evidence UK businessmen are becoming increasingly cautious of trading with Libya, Iraq and Iran because of the risk of non-payment, says the London Chamber of Commerce and Industry.

The LCCI has arranged a special seminar on June 15 to examine the problem and look at how UK suppliers can improve trade and payment performance in these countries.

Although UK trade with these markets totalled about £750m last year, the chamber says that British suppliers are wary of exporting to these countries because of the severe shortage of foreign exchange resulting in delayed payments and other related problems. For example, 1982 saw a six-fold rise in claims to ECGD for non-payment from Libya which has resulted in ECGD requiring letters of credit.

Arab banking directory published in Bahrain

BY MARGARET HUGHES

A ANNUAL handbook on Arab Banking and Finance has been launched by Falcon Publishing of Bahrain. The new publication is sponsored by the Bank of Bahrain and Kuwait, Gulf International Bank, Kuwait Asia Bank, Saudi National Commercial Bank, Bahrain OBU and United Gulf Bank.

The 500-page book provides profiles of 21 Arab countries, a who's who in Arab banking and a financial directory which gives two years' financial results of all the banks operating in the Arab world. About half the handbook is devoted to a series of articles on such subjects as the role of Arab banks in the Euromarkets, Islamic banking and the Gulf Co-operation Council. The introductory article—"Arab banks' international lending—will the momentum continue?" — has been written by Mr Alexander Fleming of the World Bank.

The publishers say the handbook is more accurate for being published in the Arab world. But in its Egypt country profile, for instance, it gives Sunday as the official day of rest whereas most businesses, including banks, are open on Sundays and closed on Fridays. It is retail shops and the Coptic community which take Sunday as their day of rest in Egypt.

Falcon Publishing, which is an offshoot of Gulf Public Relations headed by Abdulnabi Al Sho'ala, is planning next year to launch another annual handbook, entitled Arab Industrial Review, again covering 21 countries in the region.

Arab Banking and Finance Handbook, $80, is available from Falcon Publishing PO Box 5028, Manama, Bahrain. Names of other international distributors can be obtained from the London Chamber of Commerce and Industry, 69 Cannon Street, London EC4N 5AB, Telex 888941 LCC1G.

Thorn and Philips in talks on video

By Jason Crisp

THORN EMI, the leading European supporter of the Japanese VHD videodisc system, has been talking to Philips about supplying it with programmes for its rival Laservision system.

After a series of postponements the VHD videodisc is being launched in Japan this week by JVC. Thorn EMI will see how it fares in the Japanese market before selling any programmes to Philips. It emphasised that talks with Philips are at an early stage.

Videodiscs are cheaper and of a higher quality than videocassettes but they can not record broadcast programmes. There are three rival and incompatible systems. The simplest is RCA's Selectavision developed and sold in the U.S. The most sophisticated is Philips' Laservision sold in the U.S., Japan and parts of Europe.

The VHD system developed by JVC has not been commercially available until this week.

The VHD disc launch has been postponed on both technical and commercial grounds. Last year Thorn EMI wrote off a £20m investment in a disc pressing plant in Swindon and postponed the UK launch indefinitely.

Philips' Laservision has been available in the UK since last May. Although it has spent £3m on promotion, sales have been very limited. One problem is that there are only about 200 titles at present.

Thorn EMI is a potential major source of programme material, although it would be unlikely to sell to Philips if it intended to launch its own system soon.

Retail spending rises 4½% in real terms

BY MAX WILKINSON AND DAVID CHURCHILL

SHOP spending in the UK rose again in March to bring business in the first three months of the year to a level 4½ per cent higher in real terms than in the same period a year ago.

According to the latest estimate issued yesterday by the Department of Trade, the index of retail sales rose in March to 112 (1978=100), almost as high is its peak in December and 5 per cent above its level in March last year.

The recent buoyancy of consumers' spending has been one of the main grounds for optimism that an economic revival is under way. Although the real value of after tax incomes fell by 1 per cent last year, people were able to increase their spending by reducing their savings or by borrowing.

The same process appears to be continuing this year, although the lower level of inflation and the budget tax cuts are expected to result in a rise in real disposable incomes.

The major question for the Government and the economy as a whole is whether the increased spending will lead to higher order books for British manufacturers, or whether it will mostly leak away into imports.

The trade figures for the first two months of the year showed a sharp rise in imports. However, the latest figures published last week showed a 2 per cent increase in manufacturing output in January and February compared with the low average for the last three months of 1982.

A mood of cautious optimism has been supported recently by the Confederation of British Industry's surveys of companies, which suggest that order books and output are showing some recovery from the depressed levels of the last two years.

Retailers throughout the UK are reporting that trade is generally buoyant. "Sales are increasing steadily in most sectors and, although we are not yet in boom conditions, it is clear that we are coming out of the recession," says Mr Bob Lloyd-Jones, director general of the Retail Consortium which represents most of Britain's large retailers.

"My contacts with retailers indicate that destocking has come to an end and that manufacturers are now being called on to produce new goods for sale," he adds.

This cautious optimism is echoed by Mr David Johnson, chief executive of the Rumbelows electrical goods chain. "Sales are continuing to hold up well for a wide range of electrical goods," he says.

This is despite the well-publicised price increases for some colour televisions and video cassette recorders. "There was a surge in buying before the price rises came into effect," he adds, "but the sales increase has continued even when the new prices have been charged."

The John Lewis Partnership department store group also reports that trade was "exceptionally strong" for the week ending April 9. Sales value was some 25.4 per cent higher than the same week last year, although comparisons are complicated by the different dates for Easter holidays.

Aluminium producer hit by strike

By Ian Rodger in London

BRITISH ALCAN Aluminium has declared *force majeure*, an inability to meet its contractual obligations, on all products from its aluminium works at Rogerstone in South Wales.

The plant has been shut for four weeks because of a strike by 1,000 of the 1,500 workforce over redundancies sought by the company as part of the rationalisation plan arising from the merger last December of Alcan Aluminium (UK) and British Aluminium.

The trade unions object to the company's proposal to confine 350 redundancies largely to the extrusion department, which is being closed, rather than spread them throughout the site on a voluntary last-in; first-out basis.

About 150 jobs, however, are to be created as a result of the transfer of some sheet rolling activity from Falkirk in Scotland.

Sheet is the main product affected by the shutdown, and the production stoppage comes as demand and prices have risen rapidly in Europe and North America.

Since January, stockholders' prices for pure sheet have risen over 20 per cent, mainly because of the decline in the value of sterling. Orders have been picking up too, and there are reports of some European suppliers being sold out until the summer, although one UK stockist said yesterday it was having "no difficulty whatsoever" obtaining sheet."

Cowley strikers will be told to stay out until demands are met

BY OUR LABOUR STAFF

SHOP STEWARDS at British Leyland's Cowley car assembly plant want the three-week-old strike there to continue. They will recommend union members at a mass meeting today to stay out until their grievances are settled.

They will also urge the strikers to resist what they regard as industrial blackmail – the warning that those who do not return will be sacked.

The decision of the 85-strong shop stewards' committee was conveyed to the union leaders before their talks with the Austin Rover chairman Mr Harold Musgrove.

Austin Rover says that, while talks continue, no action will be taken on plans to dismiss the strikers who do not resume work today.

After announcing the shop stewards' recommendation, a union spokesman said it came from a meeting, which had conducted a cool and careful analysis of the situation. He suggested that Mr Musgrove's latest comments showed he wanted to declare war on the trade unions and was trying to get a non-union shop.

While national talks were taking place, shop stewards at Cowley were also completing arrangements for a mass picket of the plant today to prevent any workers complying with the management's ultimatum.

Confusion on the gates is expected – the company is still calling for people to return even though action to dismiss those who do not has been suspended.

Time is short for any formula that might be achieved in the national talks to be put to the mass meeting. Local officials, not involved in the talks, are likely to insist that national officers should personally make any recommendation.

Today's mass meeting will clearly give a guide to the militancy of the strikers and the extent to which they have been influenced by the management's publicity campaign and threats of dismissals.

Local union leaders, however, believe it could be one thing to draw up a peace formula at national level but quite another to sell it to the strikers.

On the other hand, the longer the dispute drags on, the more the resolve of strikers is bound to be affected by the continuing loss of earnings.

Yesterday Mr Terry Duffy, general secretary of the Amalgamated Union of Engineering Workers (AUEW), was still optimistic about the possibility of compromise. He told reporters before going into talks: "We must not let intransigent management and intransigent unions endanger so many jobs."

He suggested that the 1,800 engineering workers on strike would be prepared to accept "a small payment" in exchange for forfeiting the six minutes' daily cleaning-up time.

It is far from certain, however, that such a compromise would be acceptable to the engineering workers at Cowley or the 3,400 members of the Transport and General Workers' Union (TGWU) also on strike.

Mr Moss Evans, TGWU general secretary, flew in from the Scottish TUC to be at the talks.

A total of 11,000 Maestros, Acclaims, Rovers and Ambassadors, at a showroom value of £70m, have been lost in the present dispute.

Lloyd's group to assess losses

By John Moore in London

A GROUP of Lloyd's underwriting members who form part of an aviation syndicate at Lloyd's is meeting today to discuss losses which have arisen in the conduct of their affairs.

The syndicate affected by the losses is known as Number 244 in Lloyd's and is one of 431 syndicates in operation in the market. It is formed of wealthy individuals who invest in Lloyd's by pledging their wealth to allow the market to function.

Each member on the syndicate who has accepted £10,000 worth of insurance business faces losses of £2,768 in one underwriting account, and £2,519 in another.

The losses were largely incurred on the insurance of aviation businesses and the syndicate affected has now been absorbed into another Lloyd's syndicate, Number 190.

CONFECTIONERY COMPANY BUYS INTO U.S. MARKET

Why Rowntree wants Tom's Foods

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

ROWNTREE MACKINTOSH, the York-based confectionery company, has not been content to rest on its sugar-coated or chocolate-covered laurels in recent years with such famous brand names as Kit Kat, After Eight, or Polo Mints. Over the past 18 months, Rowntree has been among the most overtly acquisitive of UK food companies.

Its track record for expansion by acquisition covers a private $250m bid for the U.S. Lifesaver confectionery company (which eventually went to Nabisco Brands); a public £72m bid for Huntley & Palmer (which Nabisco again won); the successful acquisition of Riley's Potato Crisps last June for £13.5m; and a £20m takeover of Laura Secord, a Canadian confectionery maker last December.

At that time Mr Kenneth Dixon, the Rowntree chairman, made it clear that the takeover was not the end of the acquisition trail. "We are continuing to look for anything appropriate in the U.S.," he said.

Yesterday Mr Dixon announced that he had found an "appropriate" U.S. acquisition target in Tom's Foods, a subsidiary of the General Mills food giant, for which Rowntree is willing to pay about £140m.

"It's a sort of Riley's Potato Crisps operation in the States," was how Mr Tim Potter, an analyst with stockbrokers Vickers da Costa, viewed the move. Riley's has secured a profitable niche in the UK snack food market, which is dominated by companies like Golden Wonder, Walkers and KP, by concentrating on small shops and the catering trade rather than the mass market.

Tom's Foods is a similar operation, selling mainly crisps and other snack foods as well as some confectionery and nuts. It is broadly based in the southeastern and southwestern states in the U.S. with its products sold through retail outlets and vending machines.

It also has a broad network of independent distributors serviced by Tom's, the main reason why General Mills says it was happy to divest itself of the operation. General Mills prefers to keep distribution to the grocery trade in its own hands.

Mr Potter and other City of London analysts were yesterday generally happy that Rowntree had at least brought off its long-awaited U.S. acquisition, even though there were a few voices raised at the £140m price tag.

"I'm always a bit suspicious of companies that pay more for a takeover than the annual sales of the company being acquired," Mr Potter says. Tom's annual sales last year were about £130m, with pre-tax profits of about £16m.

Rowntree, not surprisingly, remains confident that the entry price to the U.S. is on a price-earnings ratio in line with other U.S. acquisitions by British foods companies. But Rowntree is more concerned with the long-term strategic aims of this takeover, rather than its short-term costs.

Rowntree's strategic aims are, according to Mr Dixon, to expand in traditional confectionery markets – which was the reason behind the Laura Secord takeover – and to add a new product area. Snack foods were the preferred target, which explained the Riley's acquisition last summer and the latest move into the U.S.

The reason for Rowntree's preoccupation with expanding into new markets is not hard to understand: Britain is a mature confectionery market with one of the world's highest per capita consumptions of these products.

At the same time, the UK markets are becoming increasingly more competitive, with heavy advertising support for the major brands as Cadbury and Mars vie with Rowntree for a share of consumer spending hit by the recession.

In addition, UK confectionery manufacturers are becoming worried by a surge of cheap imports which threatens to erode their brand share.

Rowntree, however, has learnt from its lengthy experience in the fragmented European confectionery markets, where it has tried to build up a strong brand presence at a large cost. Only now is it in sight of breaking even. European advertising and promotional costs are estimated at about 12 per cent of sales, compared with about 8 per cent in the UK – itself not a cheap promotional market.

Its aim, therefore, with its U.S. acquisition was for a company in a non-confectionery but allied market which was fairly self-contained and with a good distribution system. Rowntree did not want to have to find itself with a costly product development programme.

The question that remains is whether or not this takeover satisfies Rowntree's acquisition lust. "Obviously, it will take us some time to digest this substantial deal financially before we start thinking of anything else," says Mr Dixon. "But it does not rule out further takeovers within our broad growth strategy."

HOUSEHOLD TEXTILES

Why Portugal is worrying British manufacturers

By Anthony Moreton

SENHOR Alfredo Almeida points to the piles of towels in deep shades of blue, green, yellow and red. "Those are all desined for your British Home Stores. They are this spring's primary colours and will be in your shops in the next month."

Sr Almeida is director, and son of the founder, of Jose Machado de Almeida, known as *JMA, the largest producer of* towels in Portugal. One in every five terry towels sent abroad by Portugal leaves JMA's factory in the little village of Santo Martinho do Campo, some 20 miles outside Oporto.

A large proportion of them are destined for Britain. Sr Almeida's towels can be found in Tesco and Debenhams. He is selling to Osman, who puts on an Yves St Laurent label and will have them in Selfridges in London's Oxford Street.

Sr Almeida and his competitors in companies like Sampedro, Arco, Mondex and Intebis, all to be found in the industrial belt around Oporto, are worrying the life out of the British household textiles industry.

Towels, sheets, pillowcases, tea towels and bathrobes are flooding into Britain in all shades and designs from countries as diverse as Italy, the U.S., Belgium, West Germany, China, Israel, Spain and Holland.

But most of them came from Portugal. *In 1980 one towel in* three imported was Portuguese; by 1981 this had risen to almost one in two. Last year, it was almost two out of every three.

It is the same in bedlinen. *Half the* 25m sheets sold last year were imported, and 40 per cent of the pillowcases. Some came from Turkey, the U.S., Israel and Italy. But the vast majority were from Portugal.

The British industry has been decimated. Today, according to Mr John Barton, chief executive of Courtaulds' home furnishing group, fewer than 5,000 people are employed directly making household textiles. Five years ago there would have been at least twice as many, perhaps three times the figure.

That industry is dominated by four names. Courtaulds is the leader among the towel producers with its Christy, Zorbit and Greenhills brands; it leads the way from Vantona-Viyella with its Horrockses label and Lonrho with Accord.

In bedlinen the leader is Vantona-Viyella with Dorma brands. The other major producers are Lonrho and Highams. The latter's main factories are in Royton, a suburb of Manchester, and Accrington, where it makes sheets, pillowcases, duvet covers, blankets and bedspreads under names such as Willow Royal and French Collection.

It is not just the amount of Portuguese towels coming in that *worries the* British industry; it is also the price. Merchants can get them into the shops for as little as 99p. Good-*quality* ones may be had for £1.99. British ones would be at least £2 more.

"Whatever you do about prices Portugal will go one lower," Mr Barton claims. "Their imports have caused cutbacks in volume, caused margins to become insupportably low and played havoc with British mills. So long as they can sell their stuff abroad any price will suit the Portuguese. Their costings really do not make any sense at all."

The same *attitude* is expressed by Britain's bedlinen manufacturers. Mr Peter White, chief executive of Vantona-Viyella's home furnishings group, says: "What worries us is that in many areas imports rise further than they are supposed to under international agreements because we are slow to react to any surge.

"The consequence is that volume is depressed in Britain and prices are equally in the doldrums. Countries which break the rules are not necessarily better than us in productivity or efficiency but their industries receive enormous *Government assistance. Portugal* is no longer a cheap producer, but its pricing policy is anomalous, given its wage rates."

Mr Terry Wheeler, joint *managing director of Highams,* adds: "We are not an inefficient firm. We have the most modern finishing plant in the country and we have made a lot of strategic investment in our plants. We have put about £2m into spinning in Royton alone. But even that has not been enough to keep the Portuguese at bay."

Portugal's strength in the British market arises not only because of its prices but also through its historic political links with the UK. Because the two countries were once linked as members of the European Free Trade Association, Portugal was given special access to the *UK* when the latter joined the EEC in 1973.

That access is governed by a voluntary restraint agreement under which Portugal was allowed to send the UK 10,300 *tonnes of sheets, tablecloths,* washing-up towels, curtains and towels last year. Within this total the Portuguese agreed not to send more than 5,000 tonnes of bedlinen, and if the bedlinen allocation was not fully taken up the difference could be shipped to the UK as towels.

In fact, Britain's trade statistics show that Portugal sent just over 15,000 tonnes of all household textiles, of which almost 6,900 tonnes were sheets and pillowcases.

To add to the British industry's worries the EEC has just agreed, as part of the Portuguese run-up to Community membership, that the *country can increase its supplies* to the UK by 7.5 per cent a year between now and accession, a rate which will rise progressively during the first three years after accession. After *that,* Portugal will have free access to the UK.

On the assumption that Portugal joins the EEC in 1984—an assumption over which there are increasing doubts within the country—it would be entitled to send the UK around 19,000 tonnes in 1987, after which there will be free access.

According to the British Textile Employers Association in Manchester, the industry's trade body, imports from Portugal could over the next five years increase by at least 35 per cent and the rise might be as much as 60 per cent.

Unofficially, Portugal admits that the restraint agreement has been *breached. To administer* the system the Portuguese issue export licences to companies based on the previous year's performance. But there are ways round this.

There are many complaints within the British industry that Whitehall, and the EEC in Brussels, which has *overall* responsibility for imports, is lax in monitoring the agreement.

British complaints that the Portuguese set export prices to suit the market, and without reference to production costs, have considerable substance. Prices in Portugal are commonly higher than those abroad.

Sr Nuno Soares de Carvalho, director general of Intebis, admits that "we try to keep export prices low in order to get into overseas markets. This is a very competitive market and we have to compete aggressively." At Sampedro, a big producer of sheets, which exports about a third of production to Switzerland, Sweden, France and Angola, it was said that export prices were "probably 10 per cent lower than we charge to the domestic market."

Basic wages in the textiles industry average around 14,000 escudos a month, with a slightly lower average in the garments sector. Most firms, however, pay an attendance bonus, have to pay a month's holiday pay and a further month's pay at Christmas. There are extra allowances, ranging up to 50 per cent, for shift work. When all this is taken into account a worker might get around £38 a week.

Wages in the Portuguese industry are low, but productivity is high because of new computerised technology which can produce long runs at high speed. Furthermore, the Portuguese have improved their design and quality out of all recognition in recent years.

At JMA the company has invested some £13m in the past four years, according to Sr Almeida. "The average age of our machines in the spinning mill *is* eight years and we have been told by Thies, the manufacturer, that our dye house is the most modern in Europe. It was only installed in 1981 and dries 500 kilos an hour. It is particularly economic in energy.

"We are now in the final stages of building a 54,000 sq ft spinning mill which will be the best in Europe. It will produce 10 tonnes a day from just 16 workers. Textiles is now about high technology, not workers. Its about spending money on new machines."

Other companies have done the same. Sampedro claims, on the basis of what the manufacturer told it, to have the "biggest printing machine in Europe."

Arco has spent more than £1m on a new spinning room and shuttleless weaving looms. Intebis claims to have doubled its output in the last three years through the installation of new machinery.

The Portuguese deny they get any assistance from their Government towards new machinery other than soft loans geared towards exports. They can get a rebate of up to 10 points on the borrowing rate from the banks, which is now around 27 per cent, depending on the amount of their exports.

Sr Avelino Resende, director of Arco, said that "most of our finance comes from our own resources and *it is* the same throughout the country. The textile industry here is largely privately-owned and there is a tradition of ploughing money back into the company. We have a policy of low dividends. We are a very bad company for our shareholders.

"We write off machines at a very quick speed. In some cases within three years."

British industry, too, has been investing heavily. At Vantona-Viyella's Fold Mill in Bolton there are 250 modern looms in its weaving shed, each of which cost £25,000. Only 40 people man it.

Courtauld's Ashton subsidiary at Hyde, in Manchester, has one of the biggest weaving sheds in Europe, all of which has been re-equipped in the past five years. Each of its looms is worked over three shifts for five days. Highams has new machinery. Lonrho's plant at Cramlington, outside Newcastle, has 600 looms, all virtually new.

But the industry is still unable to compete with towels at 99p each or a single polycotton quilt cover and matching pair of pillowcases for £3.66. The Ashton plant at Hyde "has hit 72 tonnes a week, cruises like a Rolls-Royce at 62 tonnes and has been at times turning out 45 tonnes," according to Mr Barton.

The trouble is, in the words of Sr Avelino Ramos, export marketing director of Sameios, "Portugal is becoming the wardrobe of Europe. The textile industry is moving south. We have the machinery, the skills, the design and the quality to meet what people want".

Trevor Humphries

A customer buying Portuguese-made towels in Selfridges, London. Although most of the store's towelling is British, some Spanish and American-made items are also stocked

APPOINTMENTS

Gallaher Tobacco research director

Dr R. R. Boxall has been appointed research and development director of GALLAHER TOBACCO. Dr Boxall, who will be based in London, joined Gallaher's research and development department in Northern Ireland ten years ago.

*

Mr Charles Allen has joined FLUOR EUROPE as manager project financing. He joined Fluor Corporation's project financing group in California in 1981, and was previously a director of Hill Samuel and Co.

*

Chairman and managing director of FROST AND REED (HOLDINGS), Mr S. W. Wade, has retired after more than 50 years' service. Lord Harlech has been appointed non-executive chairman, with Mr A. G. Nevill as managing director and Mr C. D. B. Kingzett as assistant managing director. Mr B. G. Butler, company secretary, and Mr G. E. McWatters have also joined the holding company board. Lord Harlech is chairman of HTV Group of which Frost and Reed is a subsidiary. Mr A. G. Nevill joined the company in 1957 and was director in charge of the Clare Street, Bristol, gallery until 1977 when he returned to the Bond Street gallery in London.

*

Mr Peter J. Prior has joined the board of HOLDEN HYDROMAN as a non-executive director. He was formerly chairman of HP Bulmer Holdings of which he is still a non-executive director.

*

Mr F. Russell Barratt and Mr Jeremy Hardie have joined the board of AMDAHL (UK) as non-executive directors. Mr Barratt was deputy secretary, public services, at the Treasury. Mr Hardie is deputy chairman of Alexanders Discount Company.

*

Mr Anthony E. Luke and Mr Rupert White have joined the board of DAVID SHEPPARD AND PARTNERS.

*

Mr Michael Gibson has been appointed deputy director, marketing, of LLOYDS BOWMAKER FINANCE GROUP. He was group marketing manager.

*

Mr Malcolm Wilcox has been elected a director and a deputy chairman of REA BROTHERS.

*

Mr R. H. Davey, who is an executive director of N. M. Rothschild and Sons, has been appointed a non-executive director of EXCO INTERNATIONAL.

*

Sir Timothy Kitson has been appointed chairman of the PROVIDENT FINANCIAL GROUP on the retirement of Lord Chelmer. Mr P. W. Bretherton, company secretary, has been appointed a director of the group.

*

Mr E. G. Bashforth and Mr T. G. Robson have been appointed to the board of HICKSON AND WELCH (HOLDINGS). Mr Bashforth is managing director designate of Hickson's Timber Products and Mr Robson is managing director of William Blythe and Co.

*

Mr Graham Hurst, a former chairman of companies within the Charterhouse Group, has been appointed a non-executive director of CONNAUGHT EXECUTIVE MANAGEMENT SERVICES.

*

Mr H. B. Pearson has relinquished the role of managing director but remains chairman of DAVIDSON RADCLIFFE. Mr C. J. Bushell has been appointed managing director having been deputy since 1976. Davidson Radcliffe is the paper, board and packaging subsidiary of BPB Industries, of which Mr Pearson and Mr Bushell are also directors.

*

Mr Alan Essex has been appointed a vice president of MELLON BANK based in London. He will be responsible for the bank's business development within the Nordic countries.

*

CONTRAVES INDUSTRIAL PRODUCTS, of Ruislip, has appointed Mr K. Pfister to the board. He is manager of financial accounting for the Swiss-based Contraves Group and a director of three other Contraves overseas trading companies.

*

TOWCO has appointed Mr Alan Pernain as divisional director for maintenance, smaller works and energy management systems. He comes from Haden Maintenance where he was national sales manager. Mr Eddie Molnar has been appointed divisional director for the electrical division. He comes to Towco from Balfour Kilpatrick where he was Midlands branch manager.

*

WESTLAND has formed an aerospace division to unify the business activities of the existing Westland Helicopters industrial division and the aerospace division of the British Hovercraft Corporation. Mr P. M. H. Ryan has been appointed director responsible for the new aerospace division, reporting to Mr J. Bower, group director—manufacturing. The new organisation will expand the non-helicopter aerospace activities of Westland through the development of new products and involvements in major aerospace programmes. New products recently launched include a composite retrofit rotor blade for the S61 helicopter, and a computer-controlled laser cable marking machine.

*

Mr F. R. Kerry will retire as chairman of FINE ART DEVELOPMENTS at the annual meeting in 1984. Mr D. T. Barnes will succeed as chairman and in the meantime is appointed deputy chairman. Mr J. P. Parker is appointed managing director.

*

The PENINSULAR & ORIENTAL STEAM NAVIGATION COMPANY has appointed Mr A. M. Robb as finance director. Mr Oliver Brooks, previously finance director, has retired but will continue as a managing director until June 30.

*

CALA HOMES has appointed Mr David Gill to the board of its principal Scottish operating subsidiaries, Cala Homes (Aberdeen) and Cala Homes (Lothian). He joined three years ago.

*

Mrs Ann Lee has been appointed a director of PART TIME CAREERS. Mrs Lee, who joined the company two years ago, formerly held personnel and training positions with Jaeger and Marks and Spencer.

*

PRIME COMPUTER has appointed Mr Richard Mott as *managing director of Prime Computer CAD/CAM,* formerly Compeda. He has been a Prime manager for five years.

*

Mr J. B. Dykes has been appointed director of overseas operations at the PRESTIGE GROUP with responsibilities for export sales and for subsidiaries in Sweden, South Africa, Australia and New Zealand. He has relinquished his position as company secretary and has been succeeded by Mr A. R. W. Carrington, legal advisor to the group for four years. Mr W. R. Jacques has been appointed divisional director in charge of subsidiaries in Belgium, France, Germany, Holland and Italy. He was previously financial controller of these companies.

*

Mr Dennis O'Connor has been named director of product marketing for APPLE COMPUTER (UK). He was head of the advanced systems division at Rank Xerox.

*

Mr Norman Tribble has been appointed director of RELIANCE TRUST and Colonel Douglas Kitt has been appointed director/manager.

*

Mr Henry "George" Deller, formerly a director of IMI Cornelius (UK) and Mr Frederick Colin Plain, managing director-designate of Panda Soft Drinks, are to join the board of CANVERMOOR as non-executive directors. They succeed Mr Michael Hoare who resigns to devote more time to his other business activities, and Mr Jack Woodehouse, currently managing director of Panda Soft Drinks, who is retiring.

*

At the BANK OF ENGLAND Mr C. J. Farrow has been appointed an assistant director in the finance and industry area from mid-May. He is at present *on secondment to Kleinwort, Benson, from the Department of Industry,* where he was appointed under-secretary in 1981.

*

Mr Mark St Giles has been appointed chief executive of GT UNIT MANAGERS and managing director of GT Investment Management Company SA (Luxembourg), management company for the GT Investment Fund. He is resigning from the boards of Hambros Bank and Allied Hambro Group and will take up these positions at the end of this month.

UK NEWS

Finance body urged for private road building

BY ANDREW TAYLOR

A NEW-STYLE road development finance corporation should be established to channel private sector finance into road building, according to a report requested by the Government.

Merchant bankers Charterhouse Japhet were asked to prepare a report on ways of releasing institutional investment as an alternative to public expenditure on roads.

It says the establishment of a centralised funding authority could reduce the cost of raising finance from the private sector.

The report, together with another produced by the Federation of Civil Engineering Contractors, will be discussed tomorrow by the joint Transport Department and civil engineering working party, which was set up by the Government to investigate possibilities for private funding of roads.

The federation has produced its own report after concern that suggestions in the Charterhouse Japhet version (understood to have been included at the insistence of the Transport Department) might lead to changes being made to the industry's "standard" contract terms. These allow contractors great flexibility to recover unforeseen rises in building costs.

The department's worry is that traditional forms of road contracts fail to provide a sufficiently accurate guide to the final cost of construction. This could increase the cost and difficulty of raising private sector finance.

The department may prefer to move closer towards lump sum contracts for privately-funded roads, although allowances would still have to be made for unforeseen variations in ground conditions which could affect final costs.

The Government's proposals – which could be introduced on several experimental schemes later this year – would involve the payment of royalties to contractors. These would be paid over a number of years according to the volume of traffic using the road.

Critics of the scheme have pointed to recent difficulties in France and Spain where motorway contractors have faced problems because traffic flows failed to meet projections. The British Government, unlike the French and Spanish, is opposed to providing fall-back guarantees, should traffic fail to reach an agreed minimum.

Increase in world shipping rates

By Hazel Duffy, Transport Correspondent, in London

WORLD SHIPPING rates rose in March to their highest level for nine months as measured by the tramp trip charter index compiled by the General Council of British Shipping (GCBS).

Figures published today by the GCBS show a 17-point rise in the index to 108 in March (1976 = 100), which followed on a two-point rise between January and February. The tramp time charter index rose 10 points to 94 (1976 = 100) in the first quarter of 1983 over the last quarter of 1982.

The GCBS warns against reading too much into short-term figures, pointing out that in March 1982, the first index stood at 131 and in March 1981 at 211. The quarterly index compares with 117 in the first quarter of 1982, and 264 in the first quarter of 1981.

The figures confirm, however, the slightly more optimistic note sounded by shipowners and brokers in recent months that an improvement in the low rates of the past year is beginning to develop.

The rates are still only slightly better than the cost of laying up shipping, says the CGBS, and are still a long way below those for comparable periods in the last three years.

Laid-up tonnage in March comprised 1,758 ships, 4.17m dwt higher than in February, and representing 13 per cent of world tonnage. The UK had 18 per cent of its tonnage laid up – 88 ships or 6.3m dwt. Liberia, which has the world's largest fleet, had 16 per cent of its tonnage laid up.

● Shipbuilding orders taken by member countries of the OECD fell by nearly half to 7.15m grt (gross registered tonnes) in 1982. New orders taken by the EEC countries totalled 1.74 grt.

Bookings rise for Canberra

Financial Times Reporter

BOOKINGS for P & O's two UK-based cruise ships are dramatically up on last year and the company is partly attributing this to the "Falklands factor."

The Canberra's 1983 cruise season, which began last week, has over 30 per cent more bookings than last year and the Sea Princess over 55 per cent more. Demand has been so great that this year, for the first time, the 23-year-old Canberra is expected to fill every berth in its cruise season.

P & O Cruises says the immense publicity the liner achieved as a troopship with the Falklands task force last year had buoyed demand. The company has also been helped by a backlog of bookings which were cancelled when the ship was requisitioned last April.

"Many of our Canberra customers remained intensely loyal and simply did not take a cruise last year," said Mr Richard Esdale, P & O Cruises marketing manager.

The £1 coin arrives with a few problems

BY JAMES McDONALD

VISITORS to Britain will have one more piece of coinage to puzzle over when the £1 coin enters circulation this week.

If a tourist is very unlucky he will have to sort out eight coins of different values when paying a taxi driver, a bus conductor or an ice-cream seller.

Although the £1 coin is being issued because of inflation and the urgent demands by vending machine makers and London Transport, Britain's range of coins is no more complex than in the 1920s and 1930s, when American visitors in desperation would throw a handful of change of nine denominations into a London taxi driver's hands and depend on his honesty.

The Royal Mint is distributing about 200m of the round, gold-coloured £1 coins to banks for official distribution on Thursday, the Queen's Birthday.

The £1 – slightly smaller in diameter than the 5p coin but thicker than any other British coin – has a milled edge and, the Royal Mint hopes, is not so heavy that it will wear holes in pockets and purses.

Apart from the growing demand for £1 coins in vending and ticket machines, the coin is being introduced because it has a 40-year life compared with a nine-month life for a £1 note.

The 700m £1 notes in circulation will take some time to replace – the Royal Mint is geared to producing about 8m coins a week.

London Transport, which was much in favour of a £1 coin for its tickets machines, finds itself in a slightly embarrassing situation. Not as many machines as expected will be converted by Thursday to accept the coins. A number of new sophisticated coin machines are being manufactured for London Transport but are still in the pipeline.

Another problem for London Transport is that fares are being revised downwards on May 22 and machines will have to be converted again.

Banks also are having their problems. The £1 notes may wear out quickly but they do not weigh much. A number of branches have had to have their floors strengthened to bear the weight of the new metal money.

Prices in canteens rising 10% a year

By David Churchill

PRICES charged for food in company canteens have risen by up to 30 per cent in the early 1980s, according to the latest Industrial Society survey of the catering trade.

The survey covered the period between spring 1980 and spring 1982. It found that the average price increase per year was about 10 per cent.

Highest prices were to be found in canteens in the London, Wales and Midlands areas, and in both small and very large companies.

More than half the 120 companies in the survey continued to have separate dining facilities for senior and other staff. Prices tended to be higher in the executive dining rooms.

The survey also found an increase in the use of vending machines, with three quarters of the companies having drinks dispensed by a vending machine, compared with two thirds in 1980.

Catering prices, costs and subsidies; Industrial Society, Peter Runge House, 3 Carlton Terrace, London SW1; £12.

Modest commodity price rises predicted

By John Edwards, Commodities Editor

THERE is likely to be only a modest upswing in commodity prices during the next few years as the world economy recovers – not the boom forecast in some quarters – according to a special report just released by London stockbrokers Capel-Cure-Myers.

The report predicts that real commodity prices will remain unchanged this year, compared with 1982, and rise by 4 per cent a year in the 1984-86 period.

It says a number of special factors will help to restrain the increase in commodity prices. These include high levels of stocks, the probable continuation of high real interest rates, lower oil prices and the urgent need of key producers to earn foreign exchange.

The report adds that the modest recovery in commodity prices means that the financial pressures on Third World producers will be relieved only gradually.

The Outlook for Commodity Prices. Capel-Cure Myers economics research.

Government encourages environment sponsors

BY COLIN AMERY

THE GOVERNMENT has launched a campaign to encourage companies to spend more money in sponsoring activities that will help the protection of the natural environment.

Mr Tom King, Environment Secretary, and Mr Neil Macfarlane, minister with responsibility for the countryside, spoke in London yesterday to promote what they described as "a new era in conservation." Both referred to the prestige to be gained by companies which associated themselves with nature conservation through the voluntary bodies and conservation agencies.

The Government has been impressed by the growth in business sponsorship of the arts and sport and is now seeking to steer cash and support towards the protection of the environment.

In the booklet published by the Government to launch the campaign, attention is drawn to the successful sponsorship activities of several leading companies.

Shell UK's "Better Britain" campaign, Brooke Bond's support of the World Wildlife Fund, Pitney Bowes "Elms Across Europe" and Amey Roadstone's conversion of one of its gravel pits into a bird sanctuary are singled out as good examples

Conservation and Business Sponshorship is published by the Department of the Environment.

Paint in a plastic can

BY MAURICE SAMUELSON

THE BRITISH public, currently being bombared with plastic bottles for soft drinks and beer and plastic tubes for toothpaste, is about to be exposed to the plastic paint can.

Dulux, the UK's leading manufacturer of decorative paint, will shortly start trial sales for white emulsion paint in plastic replicas of the familiar tinplate canisters.

Although large plastic buckets are already widely used for bulk sales to the trade, the one-litre, 2½-litre and five-litre cans of Dulux brilliant white emulsion are aimed at the popular retail market.

If successful, the move could have a major impact both on the paint industry and packaging suppliers.

The paint industry currently uses about 150,000 metal containers, weighing some 40,000 tonnes, and representing about 5 per cent of UK tinplate consumption.

A rival plastic can will be unveiled next week by Metal Box, the leading UK supplier of metal cans. Metal Box says it is "the final version" of a container previously test-marketed by Berger Paints.

Unions' peace move in the Labour pay war

BY PHILIP BASSETT, LABOUR CORRESPONDENT

LEFT-WING opposition to the Labour Party's national economic programme, which had threatened the party's election campaign plans, now seems likely to be defused at the Scottish TUC conference this week.

Agreement to the "economic assessment," the centrepiece of the TUC-Labour Party pact, by the left-dominated Scottish TUC conference in Rothesay will virtually ensure its later acceptance by the TUC Congress and Labour Party Conference in the autumn.

Resolution of the contradiction between many unions' support for free collective bargaining and the programme's implied commitment to moderate wage rises will come as a great relief to Mr Michael Foot, the Labour leader, who will address the Scottish TUC on Friday.

The way in which it should be resolved is also likely to be copied by the Transport and General Workers' Union Britain's biggest union, at its biennial conference in July.

Senior union leaders hope to resolve the issue – which they see as a potentially damaging blow to Labour's electoral hopes – by taking two steps this week.

● They will urge support for an emergency resolution backing the assessment;

● They will try to ensure that the Society of Civil and Public Servants, which is to move a motion opposing all discussion on incomes policy, accepts that this motion does not exclude the assessment.

The likelihood that the issue would be resolved increased sharply when leaders of the Scottish miners agreed to withdraw from their incomes policy resolution the words which proscribed talks about the economic assessment.

This decision, reached after considerable pressure applied by senior union leaders, further increases the prospect that the unions will reach an accord helpful to Labour's electoral chances.

At the conference yesterday the Government was warned that a fightback by trade unionists against its economic policies was "inevitable."

Mr Andy Barr, president of the Scottish TUC, said in his address: "This Government would be seriously mistaken to interpret past docility as evidence of acceptance of its depredations on the working class.

"The fightback is inevitable. The backlash will devastate those Tories who imagine we are down and out."

Mr Barr, a divisional officer of the National Union of Railwaymen, said that following "industrial disaster after industrial disaster" the trade union movement, particularly in Scotland, had finished the year considerably worse off than it was last April.

The starting point was in all conscience bad enough, but the screw had been tightened on the unions inexorably throughout the year, he said.

Benn does the rounds in support of Labour

By Our Labour Staff

LABOUR left-winger Mr Tony Benn is joining a new campaign by party leaders around the trade union conferences in a fresh effort to secure union support for Labour in the run-up to a general election.

Last year Mr Benn kept a much lower profile at the annual round of union conferences than his trail-blazing season in 1981 when he was challenging Mr Denis Healey for the Labour Party's deputy leadership.

This year he is resuming his series of meetings, opening tonight with left-wing MP Mr Michael Meacher at a fringe meeting at the Scottish TUC conference.

He follows that with appearances at the biennial Transport and General Workers' Union conference in the Isle of Man and meetings of the General, Municipal and Boilermakers' Union in Bournemouth, and the National Union of Public Employees in Scarborough.

Mr Benn is joining other party leaders on the campaign trail. Mr Michael Foot, the party leader, is heading the team with a speech tomorrow to the national committee of the Amalgamated Union of Engineering Workers in Eastbourne.

He will make another speech on Friday to the Scottish TUC and will be preceded there tomorrow by Mr Jim Mortimer, the party's general secretary.

● Left-wingers seem likely to retain control of the Civil and Public Services Association, Britain's largest Civil Service union, in the elections for the national executive committee now being conducted.

Councils asked to consider energy conservation areas

BY RICHARD JOHNS

THE establishment of "energy conservation areas" – similar to housing action areas – is proposed in a report published by a group of experts from business, industry, the Civil Service and consumer and voluntary organisations.

They believe that "the political momentum of concentrating work in one area will overcome some of the institutional and social barriers to energy conservation."

The report is the outcome of a conference of the National Energy Efficiency Forum (Neef) last October, funded by the Department of Energy, which brought together some 45 specialists from business, government departments and local authorities, energy industries and consumer and voluntary organisations.

Their objective is to start a pilot project within the next 12 months. The report has been sent to all local authorities, which have been asked to consider whether they would be prepared to host such a scheme.

Neef says that a successful programme in one area could highlight the existence of available sources of finance and provide the ability to package it "in new, exciting and effective ways."

Behind the proposal is the principle that a geographical, as opposed to sectoral, approach to conservation would "recognise the fact that energy-using sectors are not isolated from one another but that they interact."

The aim would be to bring all homes, public buildings and commercial and industrial premises up to a high standard of efficiency over a period of about three years.

Mr John Winward of the National Gas Consumers' Council, a member of the working group which drew up the report, said: "The significance of the proposal is that to obtain serious support you have to demonstrate such schemes can work."

A pilot project would require funding for a "ground organiser" which should be available from the Department of Energy and the European Community. Existing governmental programmes cover the payment for actual outlays, according to Mr Winward.

A Pilot Energy Conservation Area; Blueprint for Action, published by the Consumers' Association.

TECHNOLOGY

EDITED BY ALAN CANE

MATSUSHITA OPENS THE WAY IN OPTICAL MEMORY

'Erasable' optical disc from Japan holds promise of cheaper data storage

BY ROY GARNER IN TOKYO

MATSUSHITA ELECTRIC Industrial Company has announced what is believed to be the first optical disk system on which stored information can be erased and re-written.

The successful development of an "erasable" system is likely to enhance the image of the optical disk as an alternative medium to magnetic devices, such as the floppy disk, for mass information storage, notably in office filing system applications.

In the long term it could also have important implications for the future prospects of optical disk-based consumer products, which currently include the laser videodisk and the digital audio disk.

At present these other disks cannot be re-recorded, and consequently suffer in competition with magnetic tape products which the user can re-program at will.

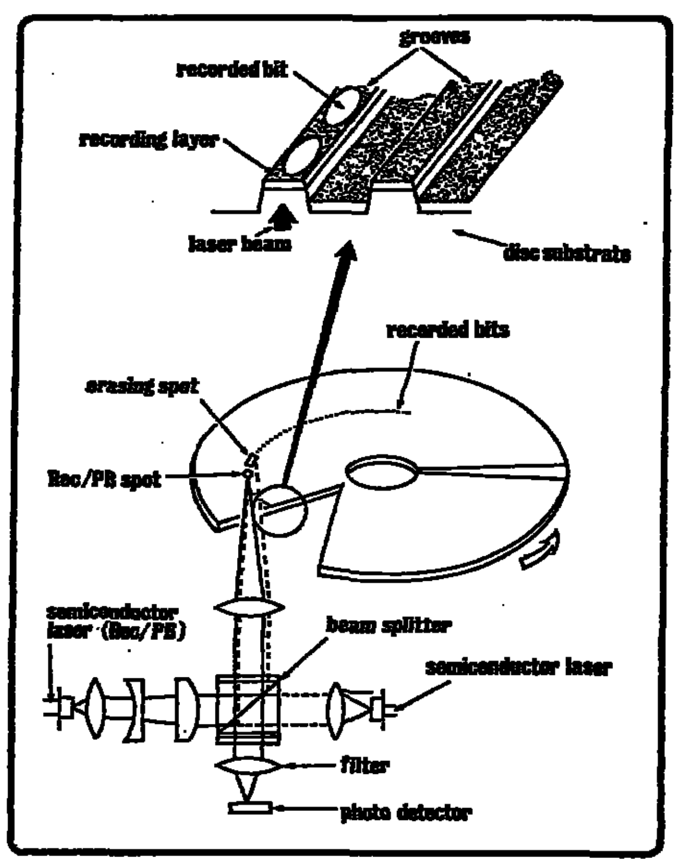
The 20 centimeter diameter Matsushita disk can store up to 15,000 colour still pictures or 10,000 A4 size documents, which is equivalent to 1,000 times the capacity of an 8 inch 1 megabyte floppy disk, or 150 times that of a full size computer disc unit. Information on the disk can be erased and re-written up to a million times.

Erasibility has been achieved by the addition of several substances including geranium and indium to the tellurium suboxide layer which forms the basic recording surface of conventional "record and playback" optical disk systems.

By passing a laser beam recording "shots" on the surface, it is possible to change their state from a crystalline to an amorphous (non-crystalline) phase, and vice versa.

These phases offer high light reflectivity and low reflectivity, respectively; information which can be "read" by a laser beam of a certain power and wavelength as the disk revolves at a speed of 1,800 rpm.

Two laser beams are employed in the Matsushita device. The playback and record beam has a wavelength of 0.83 um and an 8mw incident power, and the eraser beam is 0.78 um with 10mw incident power. By use of a single optical head system and focusing lens, however, the erase and record functions are achieved almost simultaneously.



The diagram shows, top, the disc surface with grooves in which the laser beam records binary digits (bits). Below, an exploded view of the optical system showing the disc, two lasers, one for record/playback (Rec/PB) the other for erasure, and the beam splitting assembly.

The erasible disk has emerged from a $600m Matsushita R and D program, and reflects the company's conviction that the optical disk is a key technology for future office automation systems. The company says that the first "sample" products should be available next year.

Matsushita has already marketed, in 1981, a non-erasible optical memory disk recorder with similar basic specifications to the new disk, and last year launched its first optical document filing system.

The optical disk offers several advantages over the more delicate magnetic tape products. Its playing quality is not affected by minor scratches and dirt from everyday office handling, and it should eventually be simpler and cheaper to mass produce.

An optical disk can "file" incoming documents without the need for processing prior to storage, promising the true "paperless" filing system. The addition of erasibility will also make possible the updating of archive and reference-type information banks.

The arrival of erasible, rewritable, optical disk marks another step in the convergence of video, audio and data technologies and, in the video field especially, has led to speculation over the likely future level of commitment of makers to non-optical systems.

Strong interest among Japanese companies in the use of optical disks in office applications is revealed in a survey on the progress of office automation released this month by the Nippon Administrative Management Association.

Thirty nine point nine per cent of the 382 companies responding to the survey said they were either using or considering the introduction of optical disks systems.

SELBY—A SHOWPLACE OF MINING ELECTRONICS

Micros down the pit

BY ELAINE WILLIAMS

NEXT MONTH the first mine in the new Selby coalfield will become operational. With an investment of £1bn it represents the largest commitment ever by the National Coal Board in mining. It also is a showplace for electronics technology applied to mines filled with microprocessors and sensors to reduce costs and make mining for the black gold a safer occupation.

The Selby coalfield in Yorkshire covers an area roughly the size of the Isle of Wight. The NCB has sunk five shaft mines to gain access to the seams but the 10m tonnes a year which is expected to be extracted will be removed from a single site—a drift mine at Gascoine Wood.

For several years now the NCB has taken advantage of new technology to make life safer and the extraction of coal more efficient. Selby has been a challenge because it is the first time that so many mines have come under the control of a single computer system.

The NCB developed its own computer software to control and monitor various aspects of mining. Called MINOS—Mine Operating System—it has been installed in several mines throughout the country though Selby represents the largest system introduced to date.

Each of the five shaft mines at Selby has its own Minos system operated and monitored from an air-conditioned control room on the surface. Wistow, the first shaft mine to become operational already has its computer room running as the mine is producing "development" coal which is removed while the access tunnels are being dug. It goes for cleaning and then onto the Drax power station. When in production, however, Selby coal is so pure that it does not have to be cleaned.

The individual control rooms monitor sensors at key points around each mine site. The computers have the ability to turn off equipment or power if, for example, there is a build up of methane gas. Even before it reaches such a dangerous level, warnings will appear on the visual display units in the control room, and ventilation increased to remove the problem.

The computers carry out four main jobs in the coal mining operations. These are in coal clearance, switchgear, standby and surface plant monitoring and control.

At Gascoine Wood, the largest of the Selby sites, is the central management control centre where all the work of the other mine sites can be monitored. Gascoine Wood is the site of the only drift mine in the complex and it is the point where all the coal mined from the five shaft mines will be extracted via a network of conveyor belts to the surface where it will be loaded on to trains.

These huge conveyors, all of which can be remotely controlled, carry the coal through the labyrinth of tunnels. The NCB has created a separate roadway for the coal some 60 metres beneath the coal seam. Different systems of conveyors will be employed throughout the mining complex with a total of 50 being installed.

These conveyors can be started and stopped under computer control. Also several can be operated in a staggered sequence to prevent any problems in transferring coal from one conveyor to another.

At its peak, Gascoine Wood will load a 1,000 tonne train every 20 minutes. And, the giant coal shed at Gascoine Wood, one of the largest single span buildings in Europe, can store a single day's production of 40,000 tonnes.

At this central computer site managers can also gather information about the daily operations of the complex and see trends in maintenance and repair of equipment.

At the Wistow mine, the NCB recently began tests of a computerised stock control and maintenance system which could be expanded to cover all the other Selby sites if it proves successful.

Apart from the central control unit, microprocessors appear in much of the machinery such as the coal face machine which basically consists of a shearer which cuts the coal from the seam at the face and at the same time loads it on to a steel conveyor along the face.

Only one man accompanies the cutter on its run. His main task is to keep the cutter in the coal seam though this can be done automatically with some of the machines. A microprocessor can detect the natural gamma radiation from the rock strata above and below the machine and adjusts the cutting head accordingly.

The equipment for one face alone costs around £4m and each of the five mines will have at least four faces. The computer and ancillary equipment totals some £20m.

When fully operational, Selby will employ about 4,000 people which is quite a small number considering the total size of the coal field. Environmental monitoring has therefore become an important factor and Selby is stuffed full of sensors to check for any possible hazards to life through gases and fire.

Numerous monitoring devices for airflow, pressure, temperature, vibration and fire detection are fitted to the fans which provide ventilation for each mine shaft. The fans at Wistow, for example, have a variable pitch so that they can be altered to suit work conditions. Information on the condition of the fans is also sent to the main computer room at each shaft.

Television

Chips to control the channels

By Geoffrey Charlish

THE FIRST production designs of ITT's much heralded "Digivision" television set, due to make a public appearance in London in September, will carry out most of the signal processing in computer-like digital form and will contain a microprocessor for overall control.

Present receivers deal with analogue waveforms—constantly varying voltages and currents—derived from the off-air signal picked up by the domestic aerial.

In Digivision this demodulated signal is immediately turned into a series of rapidly occurring very short on-off pulses that are coded to represent the television waveform.

The value of the technique lies in the fact that having produced computer-like signals, computer techniques can then be used to process them into the picture finally seen on the tube face.

Benefit

An important benefit is that semiconductor chips utilising digital techniques can be employed. In fact, ITT says it is using the MAA 2000 eight-bit microprocessor to provide, on one chip, quartz tuning control circuits, infrared remote control, front panel controls and channel number display circuits.

This chip, however, also contains stored data about original factory alignments and settings and is able to communicate over a data highway or "bus" with other digital chips in the receiver.

So, Digivision is more than just an extension of the digital techniques already incorporated into the tuning and remote control sections of some receivers now on the market.

In the first production designs up to 300 components of a comparable analogue receiver will be replaced by seven VLSI (very large scale integration) chips which ITT says will bring increased reliability, greater stability and consistency of performance and extended yet simplified control facilities.

Better stability arises from the fact that the major performance characteristics of the set are continuously compared by the micro with the "remembered" settings programmed in at the factory; corrections are then made automatically.

Television servicing will change dramatically, since all but one of the customary adjustment potentiometers have vanished. Instead, the service engineer plugs in a service computer, takes over control of the micro using the keyboard and makes adjustments which are stored in a special memory in the set. More on 0268-3040.

Computing

Burroughs builds in Britain

BRITAIN has been chosen as the sole manufacturing site for Burroughs, the computer manufacturer's new machine. The B95 computer has been designed, and is being made at the company's Cumbernauld plant in Scotland. It is the first time that Burroughs has manufactured at only one site, normally at least two factories make the same product.

The B95 represents Burroughs' continuing move into the small business micro market though the new model is, in fact, a bridge between the business micro and the more powerful minicomputer.

It has two main applications, as a small business systems and a low cost communications processor where it can link terminals or more sophisticated microcomputers in a distributed network. In practice the B95 will be able to link between two and 10 terminals.

THE ARTS

London galleries/William Packer

The provincial and the practical

Art usually begins at home, and the artist of course will make his friends amongst his fellows, who share his general principles and particular interests, whether practical or imaginative. There is indeed a natural and inevitable provincialism about the business, and it is not unhelpful, for it makes the reputation as it focuses the critical attention, giving it all a local habitation and a name; Fontainebleau, Barbizon, Camden Town, St Ives, Pont Aven, New York.

But sometimes we look rather to the heroes we love for justification of our interest and, where *those heroes do not figure, dwell* rather too censoriously upon the limitations and disadvantages of just that same provincialism, to dismiss the work at last as minor, dull, worthy, unambitious, limited.

We do well to remember, after all, that our Tate is full of what can only be to the foreigner the obscure and narrow product of our artists over many centuries, and that there are as many pleasures and surprises to be got in browsing through the local schools in any of the great national collections abroad. We are all provincials.

And so it proves: the sequence of landscapes by the young Mondrian, painted at the turn of the century and very beautiful in themselves — the low horizons and the wide skies, a line of trees beside the water, a windmill high against the light, all reduced to a soft and delicately shimmering silhouette —whatever else they might hint at in the subsequent development of his work, here they serve rather to turn us back to the unaffected simplicities of Weissenbruch, Mauve and Roelofs, and their own view of themselves as heirs to the great tradition of Dutch landscape painting, two hundred years on.

And with van Gogh too there is this same and immediate sense of personal identification with this same tradition, with landscape painting of course, *directly observed and as directly* expressed, but also with the observation of rural and domestic life, humane and committed genre. And though it may be that Jozef Israels peasants in their bleak hovels have not quite the same force as those of Millet, perhaps, or of van Gogh himself, the statement is honest enough and not inconsiderable in itself, and the tradition is the same and goes back just as far in Dutch art.

That said, it must not be thought that these are merely competent artists whose preoccupations are academic and nostalgic. They are all manifestly of their time, and whilst they may have remained very close to home in their work, there is no reason to suppose any lack of awareness of contemporary activity and development. Three of the most interesting members of the school are the Maris brothers, especially the two elder, Jacob and Matthijs.

With Jacob, the breadth and simple confidence of his handling, and the boldness of his composition, find rather more than an echo in the impressionist adventures of the time, and their consequences: his Truncated Windmill, of 1872, a long, low painting of the banks of a canal for me the best picture in the show. And there is Matthijs with his tiny, charming genre illustrations, his peasant christening processions of the sixties that might as well be out of Pont Aven a generation later.

The exhibition of the work of The Hague School, subtitled Dutch Masters of the 19th Century, that has come from the Grand Palais in Paris to the Fine Rooms of the Royal Academy (until July 10, then back to The Hague itself—sponsored by Unilever with help from the Arts Council), makes a perfect demonstration of the case. "Masters" is a loaded word, and here perhaps a shade over so, but for all that the evidence of the galleries suggests that here are represented at least several painters who have been unfairly and wastefully neglected these last 80 or 90 years. And part of the problem *would seem to be some of* the younger company they kept; for the group has clearly suffered by the very associations which have ever saved it from obscurity.

Vincent van Gogh was so great an artist, Piet Mondrian so potent and crucial an influence upon the turn of Modern Art, that it still seems extraordinary to too many people that they should ever have given these honest and comparatively pedestrian locals the time of day.

There are one or two points to consider: first—great artists may value and honour their first teachers none the less, and there is no rule to say that the great teacher must be a great artist himself. Second—he may, however, be rather good, but it is very hard to tax him with the greater achievement and distinction of any sometime protege. Third—the effect upon the pupil may be real, lasting and significant, for the School, such as it was, may indeed have had much that was substantial to offer. The connection of any great artist to a particular school suggests, in fact, that there may be more to that school and its work than we had at first supposed. We can only look and see.

The drawings altogether are a positive feature of the show, though small in number: and it is drawing itself which is the subject of a small, heavily didactic but none the less fascinating show at the V and A (until May 15—by courtesy variously of Sotheby Parke Bernet, Marks and Spencer, Boots, Pirelli, and the Arts Council). Drawing in the Italian Renaissance Workshop is in fact a study of the practice of drawing in the 15th century, as its disciplines evolved and ramified from technical exposition and device, often at the hand of the apprentice rather than of the master, towards fully achieved personal expression.

The technical information we get, therefore, is fascinating, both in terms of actual practice and of professional context, the niceties of silverpoint demonstrated, for example, along with the uses of model books and sketch books, draperies fixed in plaster, the figure itself, all coming together in the normal running of a studio. But the show remains rather short of masterpieces, one or two ravishing drawings towards the end, a few portrait heads by such as Giovanni Bellini, Ghirlandaio and Bartolommeo Montagna, and some exquisite fragments from Carpaccio and da Vinci amongst others: but for the most part it is the circumstantial qualities of these things, even perhaps the bare chances of their survival, that hold our interest, rather than anything aesthetic.

Certainly the copious labels supplied to each exhibit would have done better to confine themselves to their legitimate scholarly technicalities, rather than dilate so egregiously upon finer qualities that are doubtful, to say the least. It is not historical significance, nor even the signs of graphic adventure and development that make a drawing necessarily a work of art. Drawing as part of the slow and steady march towards the completion of the final work, functional and practical, straight-forward and unaffected, is no mean thing itself, and quite enough for any such curatorial exercise as this.

Detail from "A Monk and Three Musicians" by Carpaccio

'The connection of any great artist to a particular school suggests that there may be more to that school and its work than we had at first supposed'

Philharmonia/Festival Hall

Andrew Clements

The German Requiem is to Brahms what the third symphony is to Mahler, the single work that sets the true disciple apart from the fellow traveller. Everything one loves or loathes in Brahms is encapsulated in the Requiem. I tend, I confess, towards the *second category, but perhaps* exposure at an early age to an account as savagely dramatic and beautiful as Bernard Haitink's on Sunday with the Philharmonia Chorus and Orchestra might have set me on the faithful path.

Hearing Haitink conduct the Philharmonia twice within a week to near-capacity audiences demonstrated conclusively that London concert-goers now appreciate the quality of performances they can expect from him; if anything the excellence of this concert was greater even than last Wednesday's Elgar. Haydn's Oxford Symphony, no. 92 in G major, began the programme as a deceptive makeweight yet was so superbly delivered, shining bright with every rhythm carefully picked out, its woodwind detail finely woven in, that one could have gone home content after 25 minutes' music, without the doubtful prospect of the *Requiem*.

It is easy to make much of Brahms' choral writing bland and mellifluous, harder to invest it with the lucidity and warmth provided here. The dramatic set-piece fugues at the ends of the third and sixth movements were furious, almost dangerously intense affairs, dangerous in that one feared the very restraint of Brahms expressiveness might be breached. Yet their stinging accuracy—the Philharmonia Chorus on excellent form—set aside all doubts.

Canada's musical melting-pot

The Toronto Symphony Orchestra and its British conductor, Andrew Davis, returned home with reinforced prestige after their tour of British and continental cities. "*Home*" is the Roy Thomson Hall, a low, pudding-shaped structure beside which the CN Tower shoots up 1,800 feet to fulfil its description as the world's tallest monument.

Since last autumn's *inauguration of the hall, reported in these columns by Andrew Porter*, argument has not ceased on its acoustical and other properties. In a well-publicised incident, James Galway recently walked off stage in mid-concert complaining that his music-sheets were being disturbed by draughts, presumably from the air-conditioning system. But my own experience in hearing several concerts, both during the resident orchestra's absence and since its return, left me well satisfied with the clear, balanced sound, no less than with the spacious and welcoming foyers of the hall.

Just as the Toronto orchestra unveiled its national colours in Britain with the work of a Canadian composer, Steven Gellman, of whom few Canadians had heard, so the visiting Dresden State Orchestra offered a recent work by the little-known Udo Zimmermann (b.1943). His *Sinfonia come un grande lamento*, a tribute to Federico Garcia Lorca, stretches some 17 minutes and is full of large, exhibitionistic orchestral *gestures, particularly for* percussion. I reached out in vain for any meaning beyond that.

The solid competence of the orchestra under its Swedish conductor, Herbert Blomstedt, was demonstrated in Beethoven's Seventh Symphony, but my pleasure was marred by the exceptionally high standard of pitch which the orchestra favours and which imparts a sense of strain.

Of more significance, for a visitor and for Toronto's own musical public alike, was the first local appearance of the Ottawa orchestra since the *appointment of its new*, 59-year-old Italian conductor, Franco Mannino. Toronto stands as the metropolis; Ottawa, despite being the federal capital, is the cultural outpost. The National Arts Centre Orchestra, as the Ottawa ensemble is called, is *not of full symphonic strength* but of "classical" or "Beethoven" size.

For its Toronto programme, Mr Mannino's choice was extraordinary—one work by Haydn, the "Surprise" symphony; one by Richard Strauss, the "Metamorphosen" for 23 solo strings; and *two* by Rossini, an early sonata for strings (no. 3 in G) as well as the overture to *L'Italiana in Algeri*. Still more

'The audience applauded the horses, a sound judgment'

Rossini, the *Cenerentola* overture, came with the first of two encores on which Mr Mannino, rather than the audience, insisted. Nothing from the baroque, nothing modern, nothing Canadian! Mr Mannino alternately squeezed and stretched Rossini's tempo and persuaded the orchestra to follow him very neatly.

The orchestra manifests a decent standard, but the woodwind needs to be more assertive and more reliable: flutes and piccolos had an unhappy evening. The larger question-mark hangs over Mr Mannino's intentions and capacities. In contrast with his Canadian predecessor, Mario Bernardi, he warms players and audiences with big gestures, big smiles, an evident pleasure in command. But, the honeymoon once over, the role and reputation of a chamber orchestra—especially at a time when its traditional domain is under invasion by the "early music" forces at one end and the specialist contemporary ensembles at the other—will be determined by harder-headed qualities.

The return of the Toronto Symphony Orchestra took the form of an extraordinarily interesting programme — the kind that displays Andrew Davis's enterprise and skills so well, boldly presented twice *over as part of a subscription series* here but hardly thinkable in London, unless with the BBC behind it. Dvořák's cello concerto, excellently interpreted with Lynn Harrell in the solo part, ended the programme; B Messiaen's *Les offrandes oubliées* began it, with a superb glow of upper strings in the final bars.

The British composer George Benjamin, still only 23, had flown to be present for his *Ringed by the flat horizon*, which seems to me a richly promising but overdiffuse work. As a tribute on the recent death of Hana Ancerl, widow of the orchestra's former conductor Karel Ancerl, Mr Davis added a beautiful performance of a rarely encountered Dvořák *Slavonic Dance* (in D flat, opus 72, no. 4).

I wish I could be equally *enthusiastic over the attempt to* use the Roy Thomson Hall for the church pageantry of Britten's *Noye's Fludde*, with gifted local children singing, playing and dancing alongside the Toronto Symphony musicians. Granted the inevitable restrictions on processional effects, the stage was still ineptly and clutteringly used by the director, Michael Albano.

The rainbow, properly to appear after the Flood as a sign of God's appeasement and promise, was there all the time. The Ark had superfluous humans but, as my 9-year-old Canadian companion remarked, "no kangaroos." Andrew Davis's own introduction was not well thought out, and Patricia Kern (so admirably remembered from the English National Opera) was an under-powered Mrs Noah. John Dodington was an excellent Noah, Jan Rubes a compassionate but unfortunately visible "Voice of God."

If this was semi-opera, I suppose that *La Fanciulla del West* might merit the designation "opera proper"—but not at the O'Keefe Centre, with vocal and orchestral sound microphoned and coming from the wrong direction. It is a disgrace that Toronto, a city of over 2m, should locate the Canadian Opera Company there. Even Puccini's spaghetti-Western, a silly and barely acceptable story to inferior music, deserves better than that. The audience applauded the horses, a sound judgment. On one of them, Johanna Meier (Minnie) rode in to take her curtain-call. Earlier she walked heavily, sat in an awkward and unladylike manner with legs apart, and did not match the true, Italian-style vocal distinction which Giorgio Lamberti brought to the role of Johnson.

At the University of Toronto's Opera School, Purcell's *Dido and Aeneas* was lamed by the decision of Michael Albano as stage director to keep the chorus off-stage, and further lamed by a small but gratuitous cut in Aeneas's part. To the generally incomprehensible singing there was a shining exception—that of Sung Ha Shin (Belinda), whose first language is Korean, her second Spanish, and her third English. She gave me much pleasure, and provided a reminder that Toronto's musical world is as much of a multi-national melting-pot as that of any British city.

ARTHUR JACOBS

La Gioconda/Barbican Hall

David Murray

Ponchielli's *Gioconda* in concert performance, unsubsidised, with splendid voices and the London Symphony to support them—this could only be a Denny Dayvissen-Alan Sievewright enterprise. So it was on Sunday, the second event in their greatly welcome new series (the first was *Turandot* with its uncut ending, last November). There is obviously a demand for performances of such operas, which offer sensational scope for voices of the right calibre but small rewards of any other kind, musical or dramatic; there are also obvious arguments against subsidised full-dress productions of them, since the costs (including the fees of the soloists who make such stuff worth hearing) still incur seat prices feasible only for a privileged audience.

Andor Toth/Wigmore Hall

Dominic Gill

It was a pity that so few turned out on Sunday, in London's rain, to hear the American violinist Andor Toth: but perhaps not entirely surprising—for Mr Toth is better known as the leader of the New Hungarian String Quartet, and this was in fact his first British appearance as a recitalist.

He is an exceptionally cultivated soloist, agile, warm-toned, unshowy, in every gesture directly and musically to the point, and in the best sense old-fashioned—concerned less with bravura display (although the technique is impeccable) than with finding and using the most aptly expressive resources of his instrument.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

April 15–21

Opera and Ballet

PARIS

Internationales Ballet Zentrum Berlin – Theatre des Champs Elysees (8665067).

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Snub for U.S. regulators

WITH THE international banking system still in fragile condition there is bound to be some disquiet at the sight of Congress slugging it out with the U.S. bank regulatory authorities over the form of future curbs on foreign lending by American banks.

By Western European standards the package of measures for tighter supervision and control put forward recently by *the heads of* the Federal Reserve Board, the Federal Deposit Insurance Corporation and the Comptroller of the Currency looked anything but tame. In addition to tougher monitoring of country risk and increased disclosure, the proposed guidelines covered new rules for accounting for fees on loans and a systematic approach to providing against questionable foreign *loans — all this within the* context of closer co-operation with foreign central banks and the International Monetary Fund.

Yet the Senate Banking Committee had little hesitation last week in despatching the regulators unceremoniously with instructions to turn their guidelines into legislative form. When the House Committee on banking, finance and urban affairs conducts its hearings this week, hawkish noises can also be expected.

Incautious

A big increase in the IMF authorisation is widely felt in the U.S. to amount to a bail out for the banks, whose incautious lending to Mexico, Brazil, Argentina and others helped precipitate the problems to which the IMF is addressing itself. Few politicians are keen to be seen to rescue the banks — never a popular cause in the U.S. — without extracting an appropriate price.

Congressmen can scarcely be blamed for treating the regulators with something less than total respect. Much of the *present malaise in banking* stems from the growth of the Eurocredit market, which has resulted in excessive dollar lending by non-American banks, and the growth of the inter-bank market, which created the dangerous illusion among bankers during the period of petrodollar recycling that the maturity of loans could be lengthened at will.

The central bankers did not respond to these structural changes in the system with the natural conservatism and concern on which they pride themselves; and they cannot escape a share of the blame for the deflationary impulses that financial fear has now imposed on the world economy.

That said, there is indeed something worrying about a much increased role for Congress in banking supervision. The bankers may not have shown much prescience in sovereign lending; but there is no reason to believe that politicians are likely to be any better at making qualitative judgments about country risk. There is good reason, though, to be concerned about anything that threatens to curb the increase in the flow of resources to developing countries. Rigid statutory limits on country lending could well have that effect.

Discretion

Statutory ceilings on country lending might reduce the flexibility which is essential in trade financing. However, they would probably not have provided total protection against problems on the scale that the banking system now faces: some bad debts are inevitable. Moreover, the fixing of specific limits could well be accompanied by political friction in relation to individual countries.

On balance, the case for leaving judgments about credit in the hands of bankers is more persuasive, even if past history appears to lend it only modest support. But it remains to be seen how much discretion any future legislation would *concede to the American regulatory* authorities. Ideally, statutory measures should add strength to the arm of the regulators in preventing a repeat of the present problem and imposing a more realistic approach among the banks to both provisions and disclosure.

They should also be seen within a wider framework. The problems of the world banking system *have already led* to increased co-operation between central banks over supervision, and indeed between private bankers who have set up the Institute of International Finance in Washington to identify potential liquidity problems. It would be unfortunate if Congress were to embark on legislation that reduced the capacity of American regulators to respond flexibly to the demands of international co-operation.

A watchdog for state industry

NATIONALISED industries should be accountable to Parliament. In the absence of outside shareholders MPs should have the right to scrutinise the large sums of taxpayers' money the industries receive. On that there should be no dispute. But disagreement among MPs about the right method of accountability is threatening the whole future of Mr Norman St John-Stevas's private member's Bill proposing the reorganisation of state audit.

The Bill originally said that the Comptroller and Auditor General, who mainly audits central government on behalf of Parliament, should be allowed *access to the books* of nationalised industries. The Bill received overwhelming support from MPs at second reading, yet this provision has been strongly criticised by the industries themselves on grounds varying from intolerable interference in management to possible threats to future privatisation.

Industries in receipt of large state subsidies and not noted for efficiency have been joined in a rare display of unity by unions eager, for once, to defend risk-taking and profit-maximisation.

Realities

The original clause is right in principle and could be made to work. Many of the chairmen's fears are exaggerated and show ignorance of the methods of the Comptroller. This need not involve second guessing management decisions or a constant presence. A code of practice could be devised to define when and how the Comptroller has access to industries' books.

The political realities of a private member's Bill are that the opposition of the Government and a few backbenchers can easily block its passage. Consequently a compromise has been devised acceptable to many of the Bill's sponsors, to the Government, and to the industries' chairmen, despite some reservations.

This proposes that the commercial auditors should carry out inquiries into the efficiency, economy and effectiveness of these industries. The subjects should be determined with the agreement of the Public Accounts Committee of the Commons and of responsible Ministers, after consultation with the industries. The reports would be publicly available.

As a second best this proposal has some advantages. It establishes a statutory right for Parliament to be involved in these industries. The inquiries would also complement the investigations by the Monopolies and Mergers Commission under the 1980 Competition Act.

This compromise has, however, been attacked by many original supporters of the Bill, particularly, but not exclusively, on the Labour side. Their objection is that the proposal will not extend independent Parliamentary scrutiny since the process will be dominated by *the Government* and by the industries themselves

Accountability

On this view, the clause will block for a long time any chance of direct accountability. Consequently, the objectors say the compromise should be rejected and that, given the political pressures, it would be better to leave out any reference to nationalised industries.

The vote in the committee tomorrow promises to be very close. A couple of Labour and Alliance sympathisers with the compromise are inclined to vote against, on the grounds that otherwise the whole Bill will fail because of the actions of other opposition MPs. In contrast, some Tory MPs have warned that, unless the compromise is included, they may consider opposing the whole Bill.

It is unfortunate that there is no consensus on what should be a bipartisan issue. However, on balance, the committee should approve the compromise as a limited, though flawed, advance on the present position. Whatever happens on the nationalised industry provisions, MPs should not hold up the rest of the Bill which contains some long-overdue changes

The Bill establishes a new National Audit Office, puts value-for-money inquiries on to a statutory basis and makes the Comptroller an officer of the House of Commons, and thus clearly independent from the Treasury. None of these gains should be lost. Indeed, since the Bill has been largely redrafted by the Treasury, the Government should take up the measure and give it time in the absence of other legislative business.

U.S. MERGERS AND TAKEOVERS

Wall St meets Madison Ave

By Richard Lambert in New York

THE style has more in common with Madison Avenue than with Wall Street. "Who gets the tough ones done?" warbles the full page newspaper advertisement. "More than likely it's Lehman Brothers."

Goldman Sachs sticks to the soap powder theme. "In serving *our* clients, we have an advantage that no other merger specialists have." Meanwhile First Boston, the third big investment bank to claim top position in the Wall Street takeover league for 1982, is typically aggressive. Its advertisement claims bluntly: "Leadership in mergers and acquisitions: Number One."

Six years ago, First Boston did not count in the mergers and acquisitions game, and Lehman Brothers was only just getting round to setting up a separate department to handle this business. For many investment banks, takeover work was still tucked away in the corporate finance department—something they did if a client asked them to, but not an area in which they actually went out to initiate business.

Today by contrast, it has become a distinct and highly profitable source of revenue, concentrated around half-a-dozen big firms. Along with the three 1982 leaders, the other big players include Lazard Freres, Morgan Stanley, and Salomon Brothers.

The rewards for success are *high.* First Boston picked up a fee of $17.4m for steering Marathon Oil into the arms of U.S. Steel last year, and Messrs Joseph Perella and Bruce Wasserstein, its two superstar takeover specialists, are both reputed to make seven-figure incomes.

In aggregate, the 20 biggest takeover deals in 1982 brought fees amounting to roughly $130m to the investment bankers involved.

It is a business which is highly exposed to the public, and style counts as well as substance. Winners get more business—which explains the pre-occupation with claiming market leadership. It is also an activity which, according to some critics, has shown signs of getting out of hand. In the past year or two, investment bankers have sometimes seemed more concerned with pulling rabbits out of hats than with the long-term health of their clients.

Until the early 1970s, merger and acquisition work on Wall Street was largely a matter of selling privately-owned businesses to public companies as an alternative to their getting an independent listing.

But then big changes started to take place. Small and medium-sized public companies became increasingly disillusioned with their stock exchange listing, and more willing to contemplate a merger. And with shares selling at big discounts to their underlying asset values, big companies started to look more and more at acquisitions as an alternative to green field investments.

The biggest change of all was that hostile tender offers started to become socially acceptable. Mr Peter Sachs, a partner of Goldman Sachs, pinpoints Inco's bid in 1974 for ESB, the big Philadelphia battery maker, as a turning point. Until then, hostile bids were not the sort of thing that a blue chip company would willingly undertake. But within a few years, it was open house.

Companies' relationships with their investment banks have *also been changing. Whereas in* the past, one bank might have fulfilled all a company's needs—handling its commercial paper, issuing its long-term debt, and so on—a big company today might well have three or four different firms providing it with services. "Relations with clients are more transactional than they used to be," says Mr Sachs. "The old school tie is much less important."

This has enabled newcomers like First Boston to carve their way into the mergers and acquisitions business. "Over two-thirds of our business is from non-traditional clients of the bank," Mr Wasserstein says.

All these trends have encouraged investment banks to change their approach to takeover work. "It used to be an uneven source of income for us," explains Mr Richard Bingham, a managing director of Lehman Brothers. "Now its a business, and we run it like one."

Among other things, this means that the banks no longer sit back and wait for customers to knock on their door. At present, for example, they are all actively developing new business areas to replace the giant oil and gas takeovers which brought such fat fees in 1981 and the early part of 1982.

The financial services sector is seen as one of the most ripe fields for takeovers. First Boston now has 10 people concentrating exclusively in this area, double the number at the beginning of the year, and ~~claims to be~~ working at present on 15 insurance - related transactions.

Divestitures are another growing source of revenue. Without a blush, the banks are helping big companies to sell off businesses which they also helped them to acquire only a few years ago. Inco's attempts to unwind its disastrous ESB acquisitions is a classic case.

The investment banks are also building up their international merger activities, even though the strength of the dollar has cut back the number of foreign bids for U.S. companies in recent months.

Goldman Sachs, in particular, is making waves in the City of London, where it has bought a small merchant bank, and has been retained by both Sotheby's and Thomas Tilling to help in the defence against their unwanted takeover bids.

Although the overall approach *of the big investment banks is* similar, the style of their merger and acquisition work is very different. First Boston does the job in one way—and Goldman Sachs in quite another.

Thus Mr Wasserstein, a chubby and intense 35-year-old, is wildly credited with developing some of the more dazzling takeover tactics of recent years. It was First Boston which suggested that Wheelabrator-Frye should obtain an option to buy Pullman's "crown jewel"—its engineering and construction business—in order to frustrate a rival bid from McDermott in 1980.

First Boston hires industry specialists to work on particular sectors—oil men for oil mergers, for instance—and has a senior executive, Mr Bill Lambert, whose job is to scout out merger prospects and whose title is creative director. "That fellow with the beard and the fancy shirts," grumbles one rival banker with that mixture of envy tinged with derision which mention of First Boston so often seems to evoke among its competitors.

By contrast, Goldman Sachs shuns the star system. "We've got nine people in this bank each of whom is capable of handling any transaction," *claims* Mr Sachs. The firm does not go out of its way to hire industry specialists. "Our business is not oil, or retailing, or widgets. Ours is the unique business of buying and selling companies," observes Mr Sachs loftily. And it will not act as a dealer manager in a hostile tender offer.

This is a pragmatic policy rather than a moral judgment, according to Mr Sachs. The firm just does not think that such deals make good business for investment banks.

A typical First Boston deal would be last year's bid by American General for NLT—full of explosions, fireworks, last-minute twists, and headlines. Goldman Sachs was also involved in an insurance transaction last year—Connecticut General's merger with INA—but this was an agreed deal, in which the firm acted for (and took large fees from) both sides.

However different the styles, successful merger and acquisition departments all have one thing in common: good contacts and highly sensitive intelligence systems which enable them to come up with what are sometimes the most unlikely marriage partners.

This can be very valuable for client companies. When Chrysler wanted to sell its defence division, Lehman Brothers found 25 potential bidders, some of which wanted the business badly enough to bid up the price to generous levels even though Chrysler itself was not negotiating from a position of strength. First Boston chased up around 30 potential white knights to rescue Marathon from the bid by Mobil, one of which, U.S. Steel, eventually came up trumps.

The development of business hungry merger and acquisition departments is helping to change the face of corporate America. Lehman Brothers' Mr Bingham says that takeovers have taken place which would never have occurred but for the growth of these intermediaries.

Some critics worry that this is not necessarily a healthy trend, and they usually cite in evidence last year's four-cornered battle between Bendix, Martin Marietta, Allied and United Technologies. Professor Robert Hayes of the Harvard Business School, argued in the New York Times that the investment bankers played an important part in this extraordinary affair. Motivated by personal profit, he claimed, they goaded their principals on to ever more outrageous actions.

Investment banks certainly have enormous incentives to come out on the winning side, since they are usually paid by performance. For example, Conoco paid Morgan Stanley $1m for advising it in the defence against Seagram's bid—and promised that if the firm could find a better deal, it would pay a fee of up to 0.20 per cent of the bid value. So when Du Pont arrived on the scene, Morgan's fee jumped by more than $12m.

Although the investment banks strongly defend their role in the Bendix affair, they are becoming more sensitive to criticism. Thus several million dollars worth of Wall Street talent spent last Friday morning debating whether there might not be something to be said for some of the restraints imposed on takeover transactions in the UK.

The occasion was a meeting of an advisory panel set up by the Securities and Exchange Commission (SEC) in the wake of the Bendix deal to consider whether the rules for tender offers should be changed. The panel's views were far from unanimous, yet it was significant that these pillars of the free market system were prepared to raise such questions as:

● Should there be limits on what directors of target companies can do in the middle of a takeover bid? An obvious example is the signing of attractive "golden parachute" deals in the heat of a contest, which assure top executives of fat compensation if they lose their jobs.

● Should a bidder who buys more than a certain proportion of a company be obliged to acquire the rest? Otherwise, he can get effective control without paying a fair premium to all shareholders.

● Should the purchase of shares at a premium from one investor be restricted or proscribed?

● Should a company be allowed to trade in a national market place if it imposes onerous limits on the transfer of its shares in order to scare off predators?

● Could anything be done to make the SEC able to respond more promptly to takeover deals? As things stand, it only seems to be able to act after the affair is over.

All this will be music to the ears of the London Takeover Panel, which is frequently criticised for its lack of teeth but which has tackled all these issues with a broad measure of success in its code of takeover conduct.

The betting is that the advisory panel will not come up with any very radical proposals when it makes its recommendations to the SEC this summer. All the same, it seems unlikely that these issues would have been debated at all in such a forum a year or so ago.

An article examining the UK acquisitions business appeared in yesterday's paper.

MAJOR DEALS

The biggest U.S. takeover bids and mergers of 1982 were:

Bidder	Investment bankers	Target	Investment bankers
U.S. Steel	Goldman Sachs	Marathon Oil	First Boston
Occidental Petroleum	Goldman Sachs/ Donaldson Lufkin & Jenrette	Cities Services	First Boston Lehman Brothers Kuhn Loeb
Connecticut General	Goldman Sachs/ Lazard Frères	INA	Goldman Sachs Lehman Brothers
Allied	Lehman Brothers	Bendix	First Boston
American General	First Boston	NLT	Morgan Stanley
R. J. Reynolds	Dillon Read	Heublein	Goldman Sachs
Norfolk & Western	Dillon Read	Southern Railways	Morgan Stanley
Union Pacific	First Boston	Missouri Pacific	Printon Kane Research/ Dillon Read

Source: Fortune

Men & Matters

Benn power

Timothy Benn, aged 46, is making waves again in the publishing world following the surprise of his abrupt dismissal from the chairmanship of Benn Publications four months ago.

He has come to the support of United Newspapers in its £11m bid for his old company. "It is the right company to take Benn Publications over" he says.

For a man who trained as a journalist rather than a financier he has shown considerable financial acumen in the last few days holding together an informal consortium of ten Benn shareholders—most *of them with family links with* the firm.

His people's holdings, amounting to some 18 per cent of the Benn Publications shares, have been offered in support of the United Newspapers bid. Merchant bank N.M. Rothschild has been called in to advise Benn and his friends.

That sounds like a solid week's work for one man. But Benn has managed to combine it with negotiations on his own behalf with the Kent Messenger Group for a clutch of publications with which he wants to start his own publishing house. He is buying, for an undisclosed sum, Kent Life, Sussex Life, and Business in Kent. He is also angling for a bigger magazine acquisition, and has *two joint ventures in train.* Altogether, Benn is confident that his fledgling publishing house will turn over more than £1m in its first year.

With his continuing love affair with publishing does he sometimes hanker to get back into the driving seat at Benn Publications? To which he replies, "I am desperately keen that the United Newspapers bid is successful because I believe it is best for Benn Publications."

But if, for some reason, that deal fell through it is not beyond the realms of possibility that the new Timothy Benn publishing house might itself be the vehicle for a bid for his old firm. There are several roads to boardroom power.

East Ender

Connoisseurs of the push-pull power game between the City of London and Whitehall will relish interpreting the appointment of high-flying civil servant Christopher (Kit) Farrow to a senior job in the Bank of England.

Has Mrs Thatcher placed a cuckoo in the Threadneedle Street nest—an establishment which Whitehall mandarins still like to think of as the East End branch of the Treasury?

Real life bears no relation to such flights of fancy Farrow, aged 45, assures me. He is, in fact, already speaking from the City in a physical sense.

For the past year he has been on secondment from his under-secretaryship at the Department of Industry to a desk at merchant bankers Kleinwort Benson where he has been working on corporate finance.

Farrow was approached by the Bank recently to become an assistant director (the most senior level below the Bank's Court) to specialise in industrial finance.

Accepting the job has meant resigning from the civil service after 20 years climbing the greasy pole. He has worked in the trade and industry departments and the Cabinet Office and has been involved lately with aerospace, in particular Rolls-Royce and British Aerospace.

In his spare time he delights in tending his allotment in Sydenham.

At the Bank of England, Farrow will be involved with bank sector lending for the health and expansion of industry. His experience should help him bridge the gulfs between Whitehall, industry, and the City.

From a career viewpoint Farrow may have made a timely move leaving the civil service for the Bank of England. The slimming down of the civil service under the present government has left an uncomfortably large bunch of ambitious civil servants mostly in their 40s and round under secretary level.

Many of them must expect to be disappointed in their hopes for further elevation to deputy secretary.

Medal winner

A private company is being launched this week for the sole, and unusual, purpose of acquiring a Victoria Cross.

The medal, the only VC awarded during the Battle of Britain, was won by Wing Commander James Brindley Nicolson. Though badly wounded and with his Hurricane on fire, he pursued and damaged a German Messerschmitt in August 1940. Parachuting to safety afterwards, he was wounded again by an over-zealous local defence volunteer.

Nicolson recovered but was subsequently killed in a plane crash in 1945.

His VC, together with other medals and mementos, is being sold by auctioneers Glendinings next week to provide money for his widow. The sale is expected to *raise* around £50,000.

Dr John Tanner, director of the RAF Battle of Britain Museum, will be bidding for the collection. But as a further safeguard against its acquisition by an overseas buyer, Tanner has joined with Dr Richard Petty, a physician and collector, and financial consultant Nicholas Morris, to set up a *private company, Citylion.*

It intends to issue shares and interest-free loan notes of up to £200,000 to acquire the collection if necessary.

The medal would then be loaned to the museum for display but treated as an investment to be sold again after 10 years. The minimum price of a Victoria Cross has risen from around £3,000 in 1976 to £12,000 last year when the record price of £32,000 was paid at auction for the only VC awarded on D-Day.

Airlift

With a due sense of gravity, so to speak, the Civil Aviation Authority has been checking on the weights of airline passengers and their luggage.

For the past 37 years, the CAA has been using "average notional weights" — 75 kg for men, 65 kg for women, and 3 kg for hand baggage — to establish operational safety standards for aircraft. Before that, everyone had to be weighed before boarding an airplane.

A survey at Heathrow Airport reveals that the post-war growth in prosperity has been reflected in the size of today's air travellers — or the men among them, at least.

The average weight of men travelling on international flights has increased to 80.8 kg; and on domestic routes, even higher, to 82.2 kg. Your average woman, on the other hand, has actually dropped in weight by just over a kilogram.

The survey found, however, that the size of passengers varied substantially according to which route they were taking.

Fatter men were noticeable on flights to Eastern Europe; fatter women on routes to West Germany and the Benelux countries. They weighed up to 15 kg more than the average passengers to Japan.

So far as hand baggage is concerned, the trend also is upward. Everybody seems to be lugging twice as much around with them as they once did.

Observer

Letters to the Editor

Monopolies and mergers policy

From Mr K. Freedman

Sir, — Though you admit in your article on "Takeovers and efficiency" (April 13) that "Takeovers are not, of course, an infallible source of greater efficiency," the general stance adopted is that the market place is capable of deciding "safely" when a takeover should occur in order that the assets of the taken-over firm be put to better use. Almost all evidence on the incidence and effects of acquisitions, however, contradicts this view.

There is very little support for the proposition that takeovers are the symptom of a healthy stockmarket discipline, ensuring that assets are taken from incompetent or wrongly motivated managers. No significant difference has been found in the profitability of acquirer and acquired firms.

Evidence on the effect of acquisitions is that they generally result in a decrease in the efficiency and in the profitability of the new company as compared with that which could have been expected from the two companies had they been separate.

In the case of conglomerate mergers, far from the stockmarket helping to promote shareholders' interests, conglomerate performance after mergers indicates that managerial utility (growth and security) rather than shareholder utility (profitability) has been pursued.

Recently published findings suggest that export (and import competing) performance is adversely affected by an increase in the degree of market concentration. In this respect if Britain's trade record is to improve it is not satisfactory to leave mergers unchallenged, including conglomerate mergers, such as that between BTR and Tilling, unless such mergers are likely to provide extra domestic competition.

The failure of past takeover policy to protect and improve British industrial performance suggests that mergers be assumed guilty unless proven innocent.

Kevin Freedman,
Queen's College, Cambridge.

From Mr J. Pretty

Sir,—As a director of Watney Mann from 1968-1973 I was rather too busy to keep a diary of events but I think some checking by the authors of "Overshadowed by the early days of the 70s" (April 12) would reveal that the bid scene went like this.

In July 1971 Grand Met bid for Trumans and about two weeks later Watney Mann made a counter offer. In early autumn 1971 after several increases in both bidders' offers Grand Met just won Trumans. In January 1972 Watney Mann acquired the shares it did not already hold in Websters and IDV. In March 1972 Grand Met bid for Watney Mann. In May 1972 (I think) Rank Organisation made a counterbid for WM. On July 4, 1972 — one of Grand Met's present subsidiaries would call it Independence Day — Grand Met won Watney Mann by what I suspect could still be the narrowest of margins in the history books. Imps made a successful bid for Courage in the summer of 1972.

It is not the object of this letter to argue the rights and wrongs of the protagonists but by stating that Grand Met and Imps made their acquisitions in 1973 you are making an error of more significance than meets the eye. I say this because in those 12 months I believe there was a significant shift of attitude by the powers-that-be in relation to monopolies and merger policy, so that by 1973 both bids would have been referred to and rejected by the Monopolies Commission.

Sheer size as well as predominance in one market sector became a factor to consider and several proposed bids were scotched by the Monopolies Commission on that basis. In spite of this change one series of bids did slip through which I believe led to unfair competition, namely the build-up of BAT's interests in food retailing whereby the profits from tobacco enabled it to drive competitors out of business by subsidising losses in food retailing for several years. The predominance of a few retailers leads to undue pressure on food manufacturers so that in due course the public's choice will be limited.

Doubt has been expressed recently as to what guidelines the Monopolies Commission is acting under. I suspect it is the "market economy" attitude of 1972 rather than the "longer term public interest" attitude of 1973-1974. I do not know whether the brewery bids above have acted against the public interest and I doubt whether the cleverest model maker with the help of the most modern information technology could prove the case either way — but there was at least the same potential for cross-subsidisation in the Imps-Courage merger as happened in the BAT-food retailing mergers.

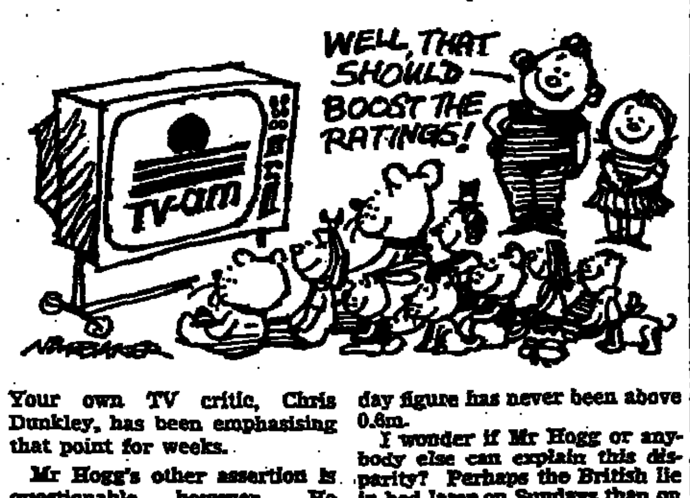
On that basis I suggest that a Government which claims to help small businesses should discourage/disallow the BTR-Tilling bid and, in view of the pressure on food manufacturers, should take the same view on the Linfood-Fitch Lovell bid.

J. R. Pretty.
Lower Mill, Newbridge.
Yarmouth, Isle of Wight

The breakfast TV audience

From Mr K. Glover

Sir, — Few of us would want to argue with Mr Hogg's guess (April 13) that when busy people are offered broadly similar content in two breakfast TV shows most of them will end up watching the one that is not interrupted by commercials.



Your own TV critic, Chris Dunkley, has been emphasising that point for weeks.

Mr Hogg's other assertion is questionable, however. He claims that "TV-am figures go up on Saturdays and Sundays because the BBC offers no similar programme." It is true that TV-am has consistently attracted its biggest audience on Saturday, never falling below 1m and on one occasion reaching 2m. Yet on Sundays the figures slip straight back to weekday levels: audience research figures for the week ending March 27 showed a weekday figure of 0.4m and a Sunday figure of 0.8m, and the most recent figures show weekdays at 0.4m and Sunday at 0.5m. The Sunday figure has never been above 0.6m.

I wonder if Mr Hogg or anybody else can explain this disparity? Perhaps the British lie in bed later on Sundays than on Saturdays, but then I suspect that a high proportion of the Saturday audience is made up by children, and surely they are as ready to watch on Sundays as Saturdays.

K. Glover.
73 Platts Lane, NW3

Give credit where credit is due

From Mr G. Simon

Sir,—In view of the critical nature of the correspondence published during March concerning the Leedale v. Lewis decision, I suggest that it would be only fair to congratulate Mr Nicholas Ridley, Financial Secretary to the Treasury, on the terms of the reply that he gave to a Parliamentary question on March 29.

The reply states that the Finance Bill will include a clause which will allow any beneficiary of a foreign trust who might be affected by an assessment under the Leedale v. Lewis decision to defer, free of interest, payment of the relevant capital gains tax until he obtains, either directly or indirectly, a benefit from the trust.

This proposed arrangement seems to provide a most elegant solution to the criticisms of the relevant provisions of the Finance Act 1965 which have been widely expressed.

G. M. Simon.
The Manor House.
Aston Magna,
Moreton in Marsh, Glos

Flying in the face of demand

From the Chairman,
Associated Textiles Company

Sir,—Having seen Feona McEwan's article (April 14) about the £25m advertising budget by British Airways, I am wondering if such expenditure is perhaps premature. Early last week I telephoned my travel agent to enquire about flights to Toronto. He informed me there were two direct flights from Heathrow on Sunday; Air Canada and British Airways. He quickly informed me of Air Canada's departure time and seat availability, but apologised for not being able to do the same for British Airways, because it was not answering the telephone that morning.

On Sunday I flew to Toronto on board Air Canada's 1 pm flight from Heathrow.

J. J. E. Brennan.
Joseph Brennan House,
Sunbridge Road,
Bradford, Yorks.

From Mr D. Williams

Sir,—In your advertising article of April 14, Jim Harris, British Airways' new marketing head, is quoted as saying "the hard fact about the last campaign is that it didn't bring us in the bodies."

Perhaps if BA personnel did not think of us quite so much as "bodies" to be processed, they might get more passengers and not need to spend £25m on an advertising campaign.

D. S. Williams,
UAC International,
PO Box 1,
UAC House,
Blackfriars Road, SE1.

The economic situation in Iraq

From the Press Counsellor,
Embassy of the Republic of Iraq

Sir,—We have some remarks to make on the article by Mr Patrick Cockburn (April 13) entitled "Iraq's economy: the guns supplant the butter." Mr Cockburn has made many grave errors in his treatment of the situation in Iraq and its conflict with Iran.

Iraq and its President Saddam Hussein are not responsible for the war with Iran, either for its commencement or its continuation. Iraq has no interest in this war whatsoever. The war was forced on Iraq by countless Iranian attacks on its borders and the instigation of some elements inside it by Iran. Everyone knows that Iraq is working seriously to end this war which was of a defensive nature and more so now.

When Iraq offers peace it is not out of a weak position but out of a deep feeling of responsibility towards world peace, the Iraqi interests as well as the interest of the oppressed Iranian peoples.

The attack on the person of President Saddam Hussein is an attack on the Iraqi people, wounding its national feelings. When the Iraqis feel loyal to him this has nothing to do with the cult of personality which the Iraqis never knew in their history. They are in fact loyal to a national symbol as other peoples feel attached to their own national symbols. While Britain has its Churchill, Cromwell, Wellington; France its Napoleon and De Gaulle; Yugoslavia its Tito; Iraq has Saddam Hussein, whose devotion to the people, his care for the Arabs as a great nation and his loyalty to a modern vision have all endeared him to the Iraqis.

The writer has contradicted himself when dealing with the economic and financial situation in Iraq. On the one hand, he has given a black picture of it while admitting, on the other, that Western companies vie with each other in trying to obtain contracts for projects in Iraq. This nullifies the claim that the economic situation has become desperate.

The economic situation in Iraq is far from bad for a developing country living in a state of war for three years with all the hardships and high costs that a modern war involves.

Sa'ad Al-Bazzaz.
177 Tottenham Court Road, W1.

UK trade with Japan

From Mr D. Robins

Sir,—Mr J. Bourlet (April 13) has apparently failed to understand London's role as an international financial centre. By simply showing the gross payments made by Japanese citizens to the UK for invisible transactions, the Japanese statistics tend to overstate the actual benefit to UK residents. The discrepancies arise on two fronts. There is the differing treatment of interest payments on foreign currency borrowing and lending by banks in London. Given that much of this activity involves UK banks on-lending funds deposited by foreign investors, the only contribution to the UK's benefit is to the banks' net earnings on such business, not the gross interest payment made by Japanese citizens. And Japanese statistics show payments for services and transfers (for example shipping, broking, insurance) paid to the UK which may well relate to services provided in London by agents, or branches of non-UK entities.

	Japanese Statistics U.S.$m			UK Statistics U.S.$m		
	Trade balance	Invisibles balance	Current balance	Trade balance	Invisibles balance	Current balance
1975	−697	2000	830	−807	422	−385
1976	−616	1498	882	−788	379	−409
1977	−1090	1385	305	−1030	367	−663
1978	−1095	1486	391	−1422	499	−923
1979	−1368	2084	636	−1871	636	−1235
1980	−2186	2898	803	−2582	651	−1931
1981	−2398	4399	1991	−3230	861	−2369

Thus, to imply that the UK feels the full benefit of the invisibles flow presented in Japanese statistics is erroneous. The comparison of Japanese statistics (in U.S.$) and UK statistics (in £ converted at annual average exchange rates to U.S.$) over the last seven years reveals the misleading nature of Mr Bourlet's letter in asserting that the UK's trade deficit with Japan is more than covered by its invisibles surplus.

Notwithstanding some discrepancies in presentation on visible trade, the trend of the statistics reveals that the UK's current account deficit is actually continuing to deteriorate.

David A. Robins
Phillips and Drew, Lee House,
London Wall, EC2.

From the Director-General,
Committee on Invisible Exports

Sir,—Mr Bourlet (April 13) stresses the Bank of Japan's estimates of Britain's invisible surplus with Japan. As Mr David Wood acknowledged (April 15) there is no question that we do earn a surplus on invisible transactions, such as banking, insurance, shipping, commodities, etc, with Japan. What is at issue is the size of the surplus. And to determine this, it naturally depends what definitions are used.

Those used by the Bank of Japan, and one or two other central banks, assume that transactions in services are as simple as those in manufactured goods, and take bilateral payments on a gross basis.

The trouble is that Britain, and London in particular, is acting in most of these transactions as an entrepot centre—undertaking business on behalf of clients (Japanese or otherwise) and completing them with other countries. London thus undertakes two gross transactions and takes a small commission for its trouble. This particularly applies to Euro-currency, banking, shipping freights, and commodities. If certain central banks choose to work out their bilateral invisible statistics on the basis of one of the gross payments, and ignore the nature of the business concerned, then misunderstandings of this kind will simply proliferate.

Mr Bourlet clearly understands all this, since he acknowledged that the Japanese invisible figures include investment income which "merely passes through London to foreign investors who have simply bought Japanese securities via London brokers." This is precisely the point which applies to the other sectors of invisibles too and explains why the Japanese estimate of Britain's invisibles surplus is five times that of the UK official estimate.

W. M. Clarke.
7th Floor.
The Stock Exchange, EC2.

Redirecting pension money

From Mr S. Brickell

Sir, — Mr P. Nash (April 7) has raised a very interesting and important issue concerning the use to be made of pension fund contributions. The argument that he advances is that pension fund contributions must not be used uneconomically. The case for allocating the investment of these funds "socially" is precisely that currently they are being used very uneconomically.

The proper way to finance the payment of future pensions is to build the production base that will improve productivity so that the labour force of the future can support its retired members without making itself destitute. The entrepreneur and the financier do not have this sort of "long view" of investment decisions.

Can it be doubted that education and training is the investment priority of the future? Capitalism simply *is* not up to the task of investing in the "social culture." From now on the investment in people is the only investment that matters.

The capitalist concept of investment and the yield on investment is not appropriate to current social needs. Capitalism cannot undertake "social investment" because the lodestone of private property and private profit is absent. The yields in future productivity improvements from investment in people are quite beyond computation.

Investment in the stock market, in gold shares, in government bonds, in the call market, and in works of art, will do nothing to provide the skilled labour force upon which every single future pension, public and private, depends. The ill-educated and unemployed youth of today — with the best will in the world — will not be able to look after the pensioners of tomorrow if there is not a radical change very soon. The current pension funds are practically worthless, whatever their nominal value. It is for this reason that the provision of pensions must be a "social undertaking." The "City" is simply not up to discharging this social responsibility. It is too parochial and short-sighted to even get a measure of the task. The Labour Party at least, has escaped the actuarial concept of pension fund investment.

Stuart Brickell.
160 Sandgate Road,
Folkestone, Kent

Rolls-Royce aero-engines

Critical decisions loom

By Michael Donne, Aerospace Correspondent

ROLLS-ROYCE, the state-owned aero-engine builder, is facing some difficult strategic investment decisions which will profoundly influence the company's future—and with it the future of the entire UK aerospace industry.

The company, under its new chairman, Sir William Duncan, has to decide whether to go on building engines across the aviation spectrum or to opt out of certain markets.

It is considering development programmes which would involve more than £1bn of investment. *But its plans will in turn* pose some difficult choices for the Government, which will almost certainly be asked to provide part of the investment capital.

These decisions will have to be made against a background of intensifying competition from the other two major world engine builders—Pratt and Whitney and General Electric of the U.S.—and at a time when *recession has meant a slump* in orders for civilian aircraft.

The company is also a major producer of military engines and, for strategic reasons, the Government seems certain to want it to retain a substantial capacity in that field, with new engine developments being financed on the defence budget.

Rolls-Royce recorded a net loss of £134m last year, in substantial measure because of a sharp drop in demand for "large fan" civil engines, such as its RB-211. The company is geared to build 300 RB-211s a year, but in 1983 it expects to produce only a quarter of that.

Sir William Duncan, new chairman of Rolls-Royce, has to decide whether it goes on building engines across the aviation spectrum or opts out of certain markets

Rolls-Royce's future will depend substantially on how well it fares with the RB-211—the engine that brought it to collapse in 1971, but which has been the core of its activities *since it was rescued by the* Government.

Lockheed's decision to end *production of the TriStar* has cut out much of the market for the "big thrust" end of the RB-211—the Dash 524 version, of over 50,000 lb thrust. That engine is now substantially dependent on the existing and future versions of the Boeing 747 Jumbo jet, and developments of the McDonnell Douglas DC-10 that may emerge.

A new version of the RB-211, the Dash 600, is now being studied to meet demands for a new-technology, big-thrust engine. Development would cost several hundred million pounds, since the engine would be virtually a new one, rivalling the Pratt and Whitney PW-4000 and General Electric CF6-80C series.

A chance to get into the European Airbus market

The Dash 600 could offer Rolls-Royce a chance to get into the European Airbus market. *It* failed to do so in the mid-1970s when the A-300 and A-310 Airbuses were *being developed,* so all Airbus engine sales have been divided between Pratt and Whitney and GE.

With improved and longer-range versions of the A-300 and A-310 on the way, there is an opportunity to correct the mistakes of the mid-1970s.

If Rolls-Royce fails to win Airbus orders, the outlook for the "big thrust" version of the RB-211 must remain bleak. But the rewards for a successful development of the Dash 600 could be substantial. Airbus Industrie believes it will sell well over 1,000 A-300s and A-310s before the end of this *century.*

The one bright spot for the RB-211 is the 535C version, *which is doing* well in the Boeing 757 twin-engined airliner. Competition looms from Pratt and Whitney, with its PW-2037, which enters service next year. But Rolls-Royce should be able to hold its own through the rest of this century with improvements to the 535. Two variants—the E4 and H4—are under development at a cost of several hundred million pounds.

Much of the £131m net provision for research and development made by the company last year went on the 535 engine.

Cash is also needed to develop another new engine, a 20,000-30,000 lb thrust one for the prospective new generation of 150-seater airliners. *This venture* is to be an international affair, with Pratt & Whitney, the three Japanese aero-engine companies, MTU of West Germany and Fiat Aviazione of Italy participating.

Final decisions are due by midsummer, by which time the shareholders (in Rolls' case, the UK Government) should have approved the venture and agreed to subscribe the cash. Rolls-Royce's 30 per cent share of the bill is expected to be in the region of £300m.

The Dash 600, the Dash 535 and the new international engine could together account *for close to £1bn of new invest*ment through the rest of this decade. Some of the money could be generated *internally,* but it seems likely that most will have to come from the Government, *in the form of* launching aid or through some special support arrangement, such as additional equity capital.

The company has other major decisions to take. It is already spending up to about £75m of its own cash on the development of the Tay engine, of about 13,000 lb of thrust, to replace the ageing Spey. In addition, it has to decide how much to spend on either revamping the Dart turbo-prop engine (or building a major new turbo-propeller engine) to meet competition from its U.S. rivals.

Beyond that, there arises the question of a new "business jet" engine, the RB-401, to replace the Viper. Collectively, these decisions would add several hundred million pounds to the overall investment bill.

The question arises, therefore, whether Rolls-Royce should remain in all these fields or, if it decides to withdraw from some of them, for lack of cash, which ones should be abandoned. Many in the aerospace industry say there should be no question of opting out, that the company should continue to cover the entire spectrum.

They point to the rising volume of aerospace imports (747s, DC-10s, 737s and 757s and 767s) stemming from decisions taken years ago not to develop particular types of airliner such *as new short-range or long-haul* jets. This, they argue, shows that while the intial cost of development may be high, the long term cost of opting out is even higher.

It remains to be seen whether the Government will accept this philosophy. It has been taking a tough line with the aerospace industry recently, arguing that any cash it injects must earn a return commensurate with that available from investing elsewhere. This applies to airframes (the British Aerospace contribution to the projected 150-seater airliner) as well as engines.

Decisions will be needed by next year at the latest

On the other hand, Rolls-Royce, as a public company which the Government would like eventually to privatise, holds a special position in the military as well as the civil *aerospace industry.*

The Government's dilemma is how far it ought to relax its *stance in the longer-term* interests of the UK's competitive capability in aerospace. There is less time than one might suppose, for many of the engines on which decisions are needed will be required in service by the mid- to late-1980s, which means launching them in 1983 or, at the latest, next year.

FINANCIAL TIMES

Tuesday April 19 1983

1990 DEADLINE SET FOR MOVE TO REDUCE POLLUTION

UK agrees to lead-free petrol

BY JAMES McDONALD IN LONDON

THE BRITISH Government yesterday accepted a recommendation that, by 1990 at the latest, all new petrol-engined vehicles sold in the UK should be required to run on lead-free petrol.

It also plans to initiate negotiations "immediately" within the European Community to secure the removal of the minimum level for lead in petrol allowed at present. Mr Tom King, Secretary for the Environment, said yesterday after publication of the Royal Commission on Environmental Pollution's report on lead in the environment.

The Environment Department would be writing to the equivalent departments in the Community setting out the UK's position, with a view to opening formal negotiations as soon as possible, Mr King said.

"We shall also, of course, discuss with the UK oil and motor industries a timetable for the introduction of unleaded petrol."

The Royal Commission said that discussions with the oil and motor industries should have regard for the time needed for essential production changes but "we believe it should be possible for the changes to be implemented by 1990 at the latest."

Mr King told a press conference that he hoped to see a rather earlier introduction of lead-free petrol. He thought delays may be longer in the motor car industry

The report said it could find no compelling argument for the retention of leaded petrol "except as an interim measure to enable the majority of existing cars to be phased out."

Of 29 recommendations made by the commission, the principal one is that it would be prudent to provide a substantially greater safety margin for the population as a whole by taking all practical steps to reduce artificial dispersal of lead and human exposure to it.

Seven of the 29 recommendations deal with ways to reduce the hazards of leaded paint. Mr King made a "holding" statement about these paint recommendations.

The UK Petroleum Industry Association noted yesterday that the move towards lead-free petrol would need a change in current EEC regulations. "Unilateral action by the oil industry to remove lead, with the consequent loss of octane quality, would be unrealistic. Very few of the cars presently on the road in the UK are designed for unleaded petrol.

Mr Anthony Fraser, director of the Society of Motor Manufacturers and Traders, said: "It is vital that adequate time is given for the manufacturers to redesign and tool up for the new engines." Up to five years from the date of a positive pan-European decision might be necessary.

The Government's immediate and positive response to at least one major recommendation in the report is unusual. The commission's two previous pollution reports – on agriculture in late 1979 and on oil in the sea in late 1981 – have not yet received responses.

Royal Commission on Environmental Pollution, Ninth Report, Lead in the Environment. Chairman Professor T. R. E. Southwood. H M stationery office, £9.20.

Britain to seek more action on recovery

By John Wyles in Luxembourg

BRITAIN WILL seek a strong U.S. commitment to reducing its budget deficits at next month's economic world summit and more effective international action aiming at medium-term economic recovery.

This emerged from discussions among EEC finance ministers yesterday in preparation for the meeting of the world's seven leading economic nations at Williamsburg, Virginia. Sir Geoffrey Howe, the UK Chancellor of the Exchequer, rejected the idea that EEC members should seek to argue the "locomotive" theory in favour of more reflationary policies by countries such as the UK, West Germany or even the U.S.

He argued that governments which had successfully reduced their budget deficits and inflation rates should not be asked to put their achievements at risk by gambling on fiscal policy.

The European Commission has suggested that both the UK and West Germany have room for manoeuvre to lead the way towards economic recovery in the EEC through a relaxation of fiscal policy. But Sir Geoffrey argues that that is a matter for governmental judgment and that the leading economies in the world must aim for a "self-starting" path to economic recovery.

The Chancellor is believed to be extremely concerned about the outlook for future U.S. deficits, fearing that the Reagan's Administration commitment to reducing them lacks conviction. This is one reason, it is said, why U.S. interest rates remain so high and real interest rates in Europe are forced to remain at correspondingly dizzy levels.

The Chancellor wants the Williamsburg summit – attended by the U.S., the UK, West Germany, France, Italy, Canada, Japan and the European Commission – to accept that world recovery is the medium-term objective that must not be jeopardised by the pursuit of short-term political gains.

He is counselling against expecting too much from the summit, which he wants to produce a more concrete acknowledgement of the interdependence of economies.

Among other things, he is believed to expect:

● A strong commitment to the control of budget deficits.

● A greater awareness of the impact of exchange rates on the international economy and a realisation that rates partly reflect domestic monetary and fiscal policies.

● Moves to build upon the study launched by last year's summit at Versailles of the impact of official intervention on exchange rates. Sir Geoffrey draws one conclusion from the study – which deliberately avoids "large" conclusions – namely that intervention has a role to play in stabilising exchange rates. He and his EEC colleagues are hoping that the Reagan Administration is now ready to draw a similar conclusion.

EEC industrial production up but unemployment worsens

BY PAUL CHEESERIGHT IN BRUSSELS

WIDENING optimism that the worst of the recession might be over was given additional substance yesterday when the European Commission disclosed a sharp recovery in EEC industrial production during January.

The Commission, in its latest analysis of Community-wide economic trends, noted that the recovery had been marked in West Germany and the UK, but conceded that the data were still incomplete.

Although full figures will not be available for several weeks, the tentative evidence suggests that the fall in production, particularly noticeable since last May, has been checked.

Overall EEC industrial production fell by 1.6 per cent last year, after sliding 2.2 per cent in 1981 and 0.8 per cent in 1980.

Unemployment continued to rise, reaching a total of 11.5m people, or 10.5 per cent of the labour force, by the end of January. This denoted a 15 per cent rise in the total over 12 months, still appreciably lower than the 29 per cent and 23.7 per cent increases in the number of unemployed respectively recorded for the U.S. and Japan.

Prices are still rising faster in the EEC than in the U.S. or Japan, according to the Commission analysis. The average EEC rate in the 12 months to January was 9.1 per cent, compared with 3.8 per cent in the U.S. and 1.8 per cent in Japan.

The rise in prices allied to the existence of a persistent EEC trade deficit with the U.S. and Japan gives the statistical underpinning to the tetchy trade relations between Brussels, Washington and Tokyo.

Problems of price competitiveness and a deterioration generally in the terms of trade are at least part of the reason for the continuing visible deficit the EEC has run with countries outside industrialised Europe. But the largest bilateral deficit, the Commission figures show, has been with industrialised non-European countries, such as Australia, Canada, Japan and the U.S.

In total, however, the trade balance has been recovering since the visible deficit reached 12bn Ecu in the 1980 second quarter. In the last quarter of 1982, the deficit was 5.7bn Ecu ($5.15bn).

Since 1981, the Commission said, the most striking internal development had been the improvement in the West German trade balance.

Reuter adds from Paris: Consumer price inflation in Western industrialised countries averaged 5.7 per cent in the 12 Organisation for Economic Co-operation and Development (OECD) said yesterday.

In the year to January, the figure was 5.9 per cent, and a year ago it stood at 9.1 per cent.

Consumer prices rose 0.2 per cent in February compared with 0.5 per cent in January and 0.5 per cent in February 1982, the Paris-based organisation said in its latest monthly report.

Further falls in energy prices in the 24 member-countries, and favourable seasonal food price movements, accounted for the slowdown in price increases.

Japan's inflation rate remained the lowest in the OECD area at 1.9 per cent, followed by the Netherlands at 3.4 per cent and U.S. at 3.5 per cent.

Iceland's year-on-year inflation rate, the highest in the OECD, rose to 68.1 per cent in February from 60.3 per cent in the previous quarter.

Consumer price inflation fell in February in all major European OECD member-countries except Britain.

Cheaper export credits sought

BY JOHN WYLES IN LUXEMBOURG

EUROPEAN Community countries have agreed to seek a reduction in the minimum interest rates for export credits under the 22-nation Consensus operated by the Organisation for Economic Co-operation and Development (OECD). The Ten are at odds over the size of the reduction, and their differences are bound to complicate OECD negotiations on a new agreement which are to begin in Paris next week.

EEC finance ministers managed to supply the European Commission with a rudimentary negotiating mandate for Paris yesterday after less discussion than had been thought necessary.

Further negotiation on details would have risked their fragile accord, and the ministers happily moved to other business once the Commission signalled that there was a sufficiently common position to be going on with.

The current OECD minimums range from 10 per cent for the poorest countries to 12.4 per cent for the most prosperous. They were fixed last June, since when international interest rates have fallen. Yesterday, the Commission was told by West Germany and the Netherlands that 0.5 of a percentage point was the largest reduction they could accept. The UK favoured 1 percentage point, while France insisted that a 2-point cut was the least it was seeking.

Ministers also agreed to consider introduction of a semi-automatic system for fixing the OECD minimums which would take as a benchmark the weighted average of interest rates for the currencies which mark up the special drawing right (SDR). These are the dollar, the yen, the French franc, the D-Mark and sterling.

France has traditionally been reluctant to move towards any objective scheme for fixing OECD rates. M Jacques Delors, the French Finance Minister, is said to have told his colleagues yesterday that he would only consider such an arrangement now if it yielded a reduction of at least 2 per cent in current rates.

According to Commission officials, the SDR benchmark would point to a 2 per cent reduction, but such a system would also imply an increase in OECD minimums if market rates moved higher. M Delors is aware of this, and he reserved the French position on the outcome of the Paris negotiations.

Chase profits decline by 8%

BY WILLIAM HALL IN NEW YORK

CHASE MANHATTAN Corporation, owner of the third biggest bank in the U.S. reported an 8 per cent fall in its first-quarter net income to $106m, which contrasts with the generally buoyant first-quarter profits being reported by most leading U.S. banks.

Chase's first-quarter net interest income rose 5 per cent to $595m from a year ago and the provisions for possible loan losses in the first quarter totalled $70m compared with $55m in the first quarter of 1982. Over the same period, net charge-offs rose by $20m to $64m, and the bank says that three quarters of this related to loans recorded in domestic offices.

The fall in Chase's earnings runs against the recent trend in U.S. bank results, where falling interest rates have tended to boost first-quarter earnings despite the need to make substantially higher provisions for loan losses.

Chase's non-performing loans rose sharply in the first quarter and at the end of March totalled $1.9bn, compared with $1.4bn at the end of 1982 and $883m a year ago. The group estimates that the negative impact of these non-performing loans on net income totalled $18m in the latest period compared with $15m in the comparable quarter of 1982. The bank says that it has suspended accrual of interest on substantially all of its extensions of credit to Mexico and Argentina

Of the total of Mexican private-sector debt and Argentine public-sector loans that are on a cash basis, about $350m have not been determined to be non-performing

Opec members 'adhere to $29 rate'

By Richard Johns in London

THE Organisation of Petroleum Exporting Countries' "monitoring committee" is confident that all members are observing their new, lower price levels, based on a $29 per barrel reference, and also output quotas under the production sharing programme agreed last month.

After its meeting in London yesterday, Dr Mana Said al-Otaiba, the United Arab Emirates Oil Minister, its chairman, said: "We noted with satisfaction the clear improvement in the oil market and that the industry, the market and consumer are more confident of Opec's determination to defend $29 per barrel." There had been no "cheating" over quotas or prices, he said.

Sheikh Ahmed Zaki Yamani, Saudi Arabian Oil Minister, was even more optimistic yesterday. Interviewed in Bahrain by Reuters news agency, he said that Opec's agreement last month to cut the price of its reference from $34 to $29 per barrel had been "100 per cent" successful.

"As long as we abide by the agreement, we do not give a discount, we don't exceed the ceiling; I think the Opec agreement will hold," Sheikh Yamani explained.

In practice, with demand still slack and a high level of stock draw-down continuing, there has been no question yet of quotas being exceeded. The Opec secretariat is understood to reckon collective output to have been running this month at only 15.25m barrels a day, well under the ceiling of 17.5m b/d.

More important at this stage is Dr Otaiba and his committee's conviction that member states – particularly Iran and Libya – have so far resisted pressure from buyers to give discounts off official selling prices.

Also of some positive significance was the fact that Mallam Yahya Dikko, Nigeria's chief delegate, attended the meeting of the "monitoring committee" – which also includes ministers from Algeria; Indonesia and Venezuela – as a "guest," and is understood to have made no complaint about his country's level of output.

Nigeria's output is believed to have been running at less than 800,000 b/d recently, compared with a quota of 1.3m b/d, and well below the rate required to satisfy the country's foreign exchange expections. But it is recovering and should average more than 900,000 b/d for April as a whole.

Both Dr Otaiba and Sheikh Yamani said that they did not foresee any real strengthening of demand for Opec oil until the fourth quarter of 1983.

The UAE Oil Minister expressed confidence that Opec could hold the line until destocking was reduced to negligible proportions. The evidence was that it was continuing at a rate of about 4m b/d. "I hope that it will diminish and in a few months time will not be such an important factor."

Dr Otaiba expressed the hope that the state-owned British National Oil Corporation would not sell oil in the spot market. Asked about Opec's relations with the UK, he replied that they were similar to those with any other non-Opec producer.

Without paying any tribute to the BNOC for setting a North Sea reference compatible with Opec's price structure, he added: "We regard Britain as a country friendly to all Opec members and, furthermore, to the UAE."

UK 'supports stability in oil market'

Continued from Page 1

It is thought that this point was emphasised in a meeting with Dr Mana al-Otaiba, the United Arab Emirates' Oil Minister, last night.

Mr Lawson, who has met several Opec ministers in recent weeks, commented: "I have made it clear that we have a free enterprise system in which oil companies produce the oil. BNOC receives roughly half of that oil and has to distribute all of it, but within that framework we will conduct ourselves, so far as we can, in a way which stabilises the market."

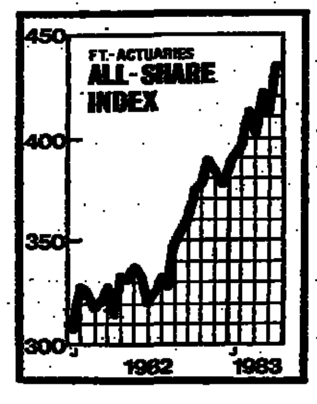
It was unlikely that this year's output of UK North Sea oil would be much different from last year's level of 103m tonnes (2.1m barrels a day). The Government would not, however, act to restrict oil companies' output.

Although the Government has hitherto taken a detached stance on North Sea production and pricing policies, it has become clear that Mr Lawson has become closely involved in negotiations between BNOC and oil companies in recent weeks.

THE LEX COLUMN

Equities on crest of a wave

The equity market failed to write any headlines yesterday, as the FT 30-Share Index stopped just short of the 700 level, but there was no perceptible slackening of the recent buying momentum. No fewer than 16 of the FT's actuarial indices, including the All-Share, pushed on to new highs.



For the lay reader of brokers' research bulletins the strength of the market must be extremely puzzling. It has, over the past fortnight, become increasingly difficult to unearth anyone who believes that equities look cheap, in relation either to fundamentals or to the gilt-edged market.

By common consent, share prices are now discounting a Tory victory at the polls in June, followed by a period of stable oil prices and a steady recovery in output. Having drawn strength from the weakness of sterling earlier in the year, the equity market now seems prepared to overlook its present firmness against the dollar.

The explanation for this latest leg of the bull market must lie in the very high level of institutional liquidity, demonstrated repeatedly this year by the ease with which stock has been absorbed.

Almost every rights issue has been a runaway success, with even a one-for-three issue from GKN, which has not yet laid claim to recovery stock status, managing to haul the sub-undewriters aboard. Commitments to the equivalent of a one-for-two rights issue from BTR were extracted without difficulty and yesterday Charter Consolidated was able to place its 4 per cent stake in RTZ at a discount of only 8 per cent to the market.

Fund managers have been able to justify their aggressive buying of what looks, in aggregate, a fully valued market by frequent switching, which helps to account for the remarkable volume passing through the market in the past fortnight. Yet the recent level of liquidity is unlikely to persist. The rights issue queue apparently extends into the late summer, while the momentum of gilt-edged funding could easily accelerate in the coming months.

Rowntree Mackintosh

It has taken Rowntree Mackintosh almost two years to make the plunge into the U.S. first signalled by its 1981 rights issue. At £140m, against the group's present market capitalisation of £350m, the deal is well into the higher range of what the market had been expecting, but its size is its most dramatic element. In most other ways, the acquisition of Tom's Foods underlines the cautious strategy of the present management.

At an exit multiple of around 18 on last year's figures and perhaps 16 on current earnings, Tom's is not being relinquished cheaply by General Mills. But in return Rowntree receives an established business which has shown steady volume growth of around 2 per cent in the last five years, along with pre-tax margins of between 12 and 14 per cent. This is a strikingly different expansionary policy from the unhappy attempt to foist Rowntree brands on Western Europe. Barring accidents, Tom's should contribute immediately, even after accounting for interest costs of the £140m purchase price financed by a mixture of sterling and dollar debt.

Even so, this all adds up to unexciting growth. While Tom's will give Rowntree a much stronger base in the snacks market, the group clearly sees no obvious way of achieving faster expansion through integration with its UK products – either in similar lines or confectionary. So the short-term prospect is for annual profits growth of around the 5 per cent achived in recent years.

With the shares rising 4p to 250p yesterday, the main market response seemed to be relief that Rowntree had at last shown its hand. The deal will transform a strong balance sheet, turning £2.5m net cash at year end into a debt-equity ratio of up to 50 per cent if the goodwill in Tom's emerges towards the top end of the possible £20m to £50m range. In sterling terms, the deal would have looked much more attractive if Rowntree could have followed the fashion and made its U.S. investment a year ago. But after its European disaster, the company is preaching the virtues of patience, and with its recent ability to generate cash unlikely to be diluted by Tom's, the next rights issue should still be some way down the road.

Currys

The video recorder established itself last year as one of the most exciting new products to boost Curry's sales since the founder launched his first two-wheel bicycle. Its average price fell about 6 per cent, which was the major factor behind a 5.3 per cent decline in the group's product prices overall. But VCR unit sales roughly doubled over 1981 and have underpinned a 20 per cent jump in turnover, to £294m, for the year to January. With colour television and white goods sales also advancing strongly, Currys has been pedalling along frantically at the forefront of the consumer spending boom and trading profits have emerged at £25.8m against £10.9m.

This has been struck after depreciation charges of £9.6m, compared with £5.2m. The increase largely reflects the successful development of the group's new rental business – which has already earned over £1m in 1982/83 – and promises substantial rental margins as the depreciation rate falls. The second and more important area of effectively deferred profites remains that part identified according to Currys' normal policy with future cash payments on contracted hire purchase schemes. Trading profits have been reduced by an £11.3m deferral, lifting the outstanding balance of deferrals to £24.5m and leaving pre-tax profits at £15.1m against £11.3m.

The group's shops are still bursting at the seams to accommodate the spending boom and premises larger than the current 1,400 sq ft average look an urgent requirement. The quality of the earnings and the still minimal level of net debt provide a sound basis for the appropriate investment programme. The implicit growth potential does not yet appear fully discounted in the share price even after yesterday's 36p jump to 334p, while the boosted final dividend has held the yield up at 2.9 per cent.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	23	73	Dubrovnik	F	15	59	Malaga	C	18	64	Salzburg	C	17	63
Akrotiri	T	17	63	Faro	F	17	63	Malta	S	19	66	Seoul	S	23	73
Algiers	S	22	72	Florence	C	17	63	Manila	S	36	97	Singapore	S	35	95
Amsterdam	C	17	63	Frankfurt	S	21	70	Miami	S	24	75	Stockholm	C	9	48
Athens	S	16	61	Funchal	C	18	64	Milan	R	12	54	Strasbourg	C	19	66
Bahrain	S	31	88	Geneva	S	17	63	Moscow	C	5	41	Sydney	C	10	50
Bangkok	S	34	93	Gibraltar	C	17	63	Munich	C	15	59	Taipei	C	22	72
Barcelona	F	15	59	Guernsey	R	6	43	Nairobi	F	29	84	Tangier	C	17	63
Beirut	-	—	—	Helsinki	S	12	54	Naples	F	17	63	Tehran	-	—	—
Belgrade	S	18	64	H Kong	C	21	70	New Delhi	S	24	75	Tel Aviv	-	—	—
Berlin	C	16	61	Innsbruck	C	15	59	New York	F	16	61	Tenerife	D	18	64
Biarritz	R	11	52	Inverness	C	6	43	Nice	F	16	61	Tokyo	F	19	66
Blackpool	S	10	50	Istanbul	S	12	54	Oporto	C	11	52	Toronto	C	4	39
Bordeaux	R	10	50	Jersey	C	6	43	Oslo	C	6	43	Tunis	F	21	70
Brussels	F	18	64	Jo'burg	S	25	77	Paris	R	14	57	Valencia	F	21	70
Budapest	S	16	61	Las Palmas	C	19	66	Prague	S	16	61	Venice	R	14	57
B. Aires	C	20	68	Lima	S	28	82	Reykjavik	S	-1	30	Vienna	S	15	59
Cairo	C	22	72	Lisbon	F	14	57	Rio de J'o	C	27	81	Warsaw	S	12	54
Cape Town	S	21	70	Locarno	C	12	54	Rome	S	21	70	Zurich	C	14	57
Caracas	C	26	79	London	Sl	3	37								
Casablanca	C	17	63	Los Angeles	C	20	68								
Copenhagen	C	8	46	Luxembourg	C	15	59								
Corfu	F	16	61	Madrid	C	12	54								
Dublin	C	8	46	Majorca	S	19	66								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

First-quarter income improves 11% at GTE

BY RICHARD LAMBERT IN NEW YORK

FIRST-QUARTER income at GTE, the U.S. telecommunications group, rose by 11 per cent to nearly $220m, largely because of an improved performance from its telephone companies and from communications products. Sales rose by 5 per cent to just over $3bn in the period.

Net income from the telephone companies rose by 6 per cent to $203m in the quarter with the help of some large rate awards during the past year. The volume of long-distance calls rose at an annual rate of only 2.8 per cent, however, and customer lines increased at an annual rate of just 1.4 per cent over the 12-month period.

Net income from communications products jumped from $7.6m to $12m, mainly as a result of increased shipments of a new digital central office switching system. But the electrical products division was badly squeezed by the recession, and net income fell from $18.4m to $9.9m.

Fully diluted net income per share was marginally ahead, at $1.13 compared with $1.09 in 1982.

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SECTION II – INTERNATIONAL COMPANIES

FINANCIAL TIMES

Tuesday April 19 1983

NCR lifts earnings and sales in quarter

By Richard Lambert in New York

NCR, the U.S. computer manufacturer, reported a rise in first quarter income despite the adverse impact of currency movements. Earnings in the three months to March rose by 11 per cent to $34.1m, and sales were 4 per cent higher at $781m.

Mr William Anderson, NCR's chairman, said he was pleased with the level of incoming orders across the company's product lines, which include computer, terminal and other business information processing systems.

"With the exception of Latin America, all regions showed gains with the greatest strength coming from the U.S. Europe and the Far East," he added.

Earlier this year, NCR said that although it expected higher earnings for 1983 as a whole, first half results could be down as a result of movements in exchange rates. Mr Anderson said yesterday that the U.S. dollar had risen an average of about 11 per cent against other major currencies compared with the first quarter of 1982. "With half of our business coming from abroad, this factor has continued to affect adversely not only our revenue and earnings but also the dollar value of current incoming orders," he said.

NCR's net income per share in the period rose from $1.15 to $1.25.

In January 1983, NCR entered the personal computer business market with its Decision Mate V series of microcomputers. The 8-bit processor model was priced at $2,800

Rhône-Poulenc doubles its loss to FFr 844m

BY DAVID MARSH IN PARIS

RHÔNE-POULENC, the nationalised French chemicals group which has been fighting for years with heavy deficits and mounting debts, more than doubled its overall loss last year to FFr 844m ($115.7m) despite a big increase in operating profits.

Its 1982 results, announced yesterday, starkly underline the financial problems of the French chemicals sector, which together with steel has become the prime recipient of government funds to restructure loss-making industry.

The overall net loss – compared with a deficit of FFr 335m in 1981 – was much bigger than expected. Although the company – France's premier chemicals concern – had announced that it would be in the red for the year as a whole, it made a profit in the first half – thanks to the sale of a U.S. shareholding – and M Loïk Le Floch-Prigent, the new chairman, said at the end of last year that Rhône-Poulenc had pulled itself out of "structural deficit."

A large element of the increased 1982 deficit was due to accounting changes. Rhône-Poulenc – along with other big companies nationalised in February last year – has been placing emphasis on "cleaning up" its balance sheet to make full account for past losses which up to now may have been hidden.

Operating profits jumped 60 per cent last year to FFr 2.21bn from FFr 1.34bn, thanks particularly to good results from its Brazilian subsidiary. But provisions against losses on restructuring operations increased tenfold to FFr 762m from FFr 71m.

The company also said it changed its consolidation procedure "to make the accounts more close to economic reality." This also led to a deterioration of last year's results by FFr 423m.

Rhône-Poulenc said that on a comparable basis the loss last year actually fell to FFr 318m from FFr 373m in 1981.

It pointed out that exceptional profits last year were down to FFr 344m from FFr 445m in 1981. Additionally, losses from its fertiliser business – which is being hived off to other mainly state-controlled companies as part of the Government's plan for restructuring the chemicals sector – rose to FFr 447m last year from FFr 207m in 1981.

These losses will not be repeated this year as the disposal of the fertiliser business took effect, from an accounting point of view, from the end of last year, the company said.

The group's turnover rose 15.3 per cent on a comparable basis to FFr 37.2bn last year from FFr 32.3bn. The loss of the parent company alone practically quadrupled to FFr 1.34bn from FFr 368m.

Rhône-Poulenc is one of the key chemicals companies in the Government's overall plan to reorganise the chemicals sector, which for years has suffered from fragmentation and mounting structural losses. The plan was announced last November but has been held up by shortage of budgetary funds.

Fed. National Mortgage in profit

BY OUR FINANCIAL STAFF

FEDERAL NATIONAL Mortgage Association, the U.S. government-sponsored mortgage lender, has reported net income of $15m for the first quarter of 1983 – the first profit the company has shown since the final quarter of 1980.

The latest quarterly result compares with a net loss of $42.8m in the first quarter of last year and with a net loss of $5.7m in the final quarter of 1982. The company recorded a net gain on mortgage sales of $30.3m and the latest profit advance translates to stated earnings of 22 cents per share, fully diluted.

Revenues rose from $1.61bn to $2.06bn.

Mr David O. Maxwell, chairman, said the turnround resulted mainly from an improved yield on assets, but warned it would take some time to correct the asset-liability mismatch which had been caused by low-yielding loans.

Financial Corporation of America, the financial services holding company, has lifted net profits to $30m (compared with $7.9m) in the first quarter of 1983 on increased revenue of $251.4m ($169.6m). The comparative 1982 first-quarter results were restated to give effect for the merger with Budget Capital Corp

U.S. INSURANCE

BY ANDREW BAXTER IN LONDON

A Family's impossible achievement

AMERICAN FAMILY Corporation, the world's largest underwriter of cancer insurance, is emerging rapidly from the most demanding period in its 27-year history – due largely to a feat which most U.S. corporations would consider impossible.

The Columbus, Georgia-based holding company whose major operating subsidiary is American Family Life Assurance Company, has been badly hit by adverse publicity in the U.S. But the company has a very unusual cushion to fall back on. More than half its net earnings are made in Japan where it insures about 8 per cent of the population.

American Family's main product, supplemental cancer insurance, reflects the immense improvement in medical services since World War Two. As life expectancy increased, so did the incidence of cancer, particularly in Japan, and today one in four Americans will develop it.

The company mainly writes policies limited to reimbursement for medical and surgical expenses of cancer, although the Japanese policy has a life assurance-type feature. Marketing is based mainly on cluster selling–sales staff approach companies, who then make cancer insurance available through deductions from payrolls.

American Family started as a family firm and to some extent remains one. It is chaired by its principal founder, Mr John Amos, who began selling cancer insurance in 1958 after two years of more conventional insurance activities.

Sales grew sharply, with total premium income up from $900,000 in 1959 to more than $7m in 1967. By 1974 the company was listed on the New York Stock Exchange, operating in 47 states, and in October of that year it received its licence to operate in Japan.

Premium income and revenues took off in the 1970s, helped by a rapid increase in Japanese business, which took net earnings there from $111,000 in 1974 to $3.3m in 1978. Net earnings per share for the whole group rose from 34 cents in 1970 to $2.33 in 1978, when premium income had reached $287m.

Then, in November 1978, "a fire started that some thought was going to burn down the building," as Mr Amos puts it. A series of ABC network television reports on medical insurance for the elderly heavily criticised cancer insurance, and subsequent press coverage developed the theme.

Over the next two years, the company says, U.S. sales staff found increased resistance, policies lapsed and recruitment of agents became difficult. The company, by now heavily reliant on the success of cancer insurance, had no alternative but to defend itself with everything it had.

While the legal battle between American Family and ABC remains unresolved, the insurance company fought back on the political front at a Senate hearing in June 1980, where it feels it defended its products and practices successfully. It considers this to be the turning point.

However, its previously strong earnings growth in the U.S. had been checked. Rapidly rising medical costs increased claims, but the company felt unable to raise its premiums until 1982. The resulting squeeze on margins caused a sharp fall in earnings per share to $1.47 in 1980 and $1.13 in 1981.

But American Family now says its domestic operation has re-established its momentum, helped by improvements in marketing and management changes introduced in the company's difficult period. Total net earnings rose 34 per cent in 1982 to $24.7m or $1.58 a share, with premium income up from $456m to $576m.

Claims are still rising, but as Mr Lee Anderson, vice-president for investor relations, said in London recently: "The greatest asset we have is a growing army of claimants. They love us."

Meanwhile, earnings in Japan have continued to rise unchecked. Net profits have jumped from $7.3m in 1979 to $17.9m in 1982, despite last year's weaker yen. The company attributes its success in Japan not only to the product, but to a management team staffed wholly by Japanese nationals. A system allowing companies to form subsidiary insurance agencies to offer the product to employees has also been important.

For the future, American Family intends to keep cancer insurance as its dominant product. There are other activities, however. The company has five profitable TV stations in the south and mid-west of the U.S.

Goals include greater penetration into the more heavily populated U.S. states. In Japan the company expects to have 10 per cent of the population insured by next year, and has 30 per cent as its long-term goal. The company is licensed in the UK, but does not yet do business. It is also investigating the West German market. Financial goals include restoring net earnings in the U.S. to at least 5 per cent of revenues by 1985 from the 2.25 per cent level in 1982.

Barring any miracle cure for cancer, which seems as far off now as ever, the company sees a bright future. "We are nowhere near the saturation point in the market," says Mr Amos.

Seafirst seeks big capital injection

By William Hall in New York

SEAFIRST Corporation, the West Coast banking group which has been hit by heavy losses on its energy lending, is having discussions with a number of interested parties which could lead to a substantial injection of new capital.

Seafirst, which last year set aside $170m for losses on its energy loan portfolio and cut its dividend, confirmed yesterday that it has been holding preliminary discussions with interested parties regarding a "substantial investment or business alliance." Salomon Brothers, the U.S. investment bank, has been retained to advise the group. Seafirst, which reported a net loss of $91.3m in 1982 compared with a net income of $82.1m the previous year, is expected to report its first quarter figures later this week and there has been speculation that it will turn in another large loss as well as making further provisions on its energy loan portfolio.

Mr Richard Cooley, who was brought in from Wells Fargo to head the troubled banking group earlier this year, said yesterday that he was encouraged by the interest that has been shown in Seafirst by potential investors.

Seafirst is carrying out a review of its loan portfolio and has also asked Arthur Andersen to undertake a separate review of the portfolio. There have been suggestions in U.S. newspapers that the Arthur Andersen review is even more bearish than the company's own assessment of its loan position.

● Moody's, the U.S. investment rating agency, has taken the unusual step of downgrading Seafirst debt for the second time in three months. Moody's said yesterday that it had lowered the rating on Seafirst's long-term senior debt to BA 3 from BAA 3. It had already lowered its rating on the $95m of senior debt from A 3 last January.

Mixed results for Dutch insurers

By Our Financial Staff

AMEV, the Dutch insurance group, has achieved an increase of 9 per cent in net profits for 1982. The results contrast with those from rival group, Ennia, where profits for last year deteriorated.

Amev's earnings rose to Fl 178.4m ($65m) from Fl 163.3m a year earlier. The company plans a Fl 7.80 cash dividend per share, up from an adjusted Fl 7 in 1981.

Ennia's after-tax profit declined by 9.5 per cent to Fl 92.1m. The company will pay a maintained Fl 9.60 dividend.

Sharp reverse for W. R. Grace

By our Financial Staff

W. R. GRACE, the big U.S. manufacturer of speciality and agricultural chemicals, has reported first-quarter net earnings of $32.9m, down sharply from $144.1m in the comparable period of 1982.

However, the 1982 figure includes a $85.1m gain on the restructuring of Chemed, the speciality chemicals subsidiary. Fully diluted per-share earnings were 67 cents in the latest period, down from $2.94, and revenues fell from $1.46bn to $1.35bn.

The company said the fall in earnings represented the low point for the year. It attributed the decline partly to sharply lower results from natural resources operations, particularly its energy services business, which incurred a small loss as a result of the decline in U.S. drilling activity.

Operating earnings in the speciality chemical business fell 3 per cent to $28.7m, while agricultural chemicals earned $14.1m, down 11 per cent.

Earlier this year W. R. Grace reported a 12 per cent fall in 1982 net earnings to $319.5m. Revenues dropped from $6.54bn to $6.13bn.

Turnround for U.S. airline

By Our Financial Staff

PEOPLE EXPRESS Airlines, the fast growing New Jersey-based carrier which plans a cut-price Newark to London service, has reported first-quarter net earnings of $2.11m, a sharp turnround from a loss of $1.95 m in the first quarter of 1981.

Revenues doubled from $25.8m to $51.8m. Per-share earnings of 26 cents, against a loss of 39 cents, reflect an increase in shares outstanding from 5m to 8.1m.

Crédit du Nord seeks state aid after deficit

BY DAVID MARSH IN PARIS

CREDIT DU NORD, the French retail bank which has the largest deposits of the 36 banks taken over by the Government last year, is seeking state funds for a substantial capital increase after declaring a FFr 59.2m ($8.1m) net loss for last year.

The deficit, announced yesterday, is due above all to the bank's exposure to serious losses at Ribourel, a financially troubled property development company in which the bank took a 50 per cent stake shortly before nationalisation.

The loss is the first since the mid-1970s by a major French bank. The plan for a capital increase – which could amount to around FFr 200m to FFr 300m – also represents the first time that a nationalised bank has had to approach the Government for funds since the sweeping banking takeovers last year. In 1981 the bank declared a net profit of FFr 85.5m.

M David Dautresme, the former Crédit Lyonnais banker who took over as Crédit du Nord's chairman last year, said yesterday that the bank's two shareholders – the Government itself and the nationalised financial holding company Paribas – had agreed in principle to put up funds for a capital increase.

The operation should be concluded before the summer, he said. Crédit du Nord's present capital is around FFr 1bn. Although M Dautresme gave no figures, officials said the bank was hoping for an injection of over FFr 200m to restructure the balance sheet, after being forced to declare overall provisions against doubtful risks of FFr 379m last year, against FFr 299m in 1981.

Paribas has a stake of just over 50 per cent in Crédit du Nord, with the Government holding the rest. Neither shareholder will be keen to put up the necessary cash injection.

Paribas is already troubled by financial difficulties throughout its network of industrial participation. The Government – which is concentrating available budgetary funds on plugging losses in the battery of state-owned industrial concerns – has until now been using the banks as a source of finance, rather than directing funds to them.

The bank said yesterday that a "strong part" of the increase in provisions for last year was due to its exposure to Ribourel. The company, which has over-extended itself in building projects connected with the leisure industry, has been closely associated with Crédit du Nord for several years, and the bank was forced to take its shareholding in the group in autumn 1981 after the scale of its losses become apparent.

Ironically, the other main reason for the loss last year was the Government's desire to tap the banks for cash. M Dautresme pointed out that the bank paid a total of FFr 96m worth of corporate taxes and special banking levies to the state last year.

He presented the decision to pass full provisions for the Ribourel exposure as prudent banking policy.

Showing that the underlying business of the bank continued solidly, Crédit du Nord's gross operating profit before taxes, depreciation and provisions rose 4.7 per cent to FFr 513.3m last year.

The bank, which is one of the top 10 banking institutions in France and is ranked as Number 5 or 6 among commercial banks, registered a balance sheet of FFr 54.7bn

Akzo to restructure operations in U.S.

BY WALTER ELLIS IN AMSTERDAM

A FURTHER reorganisation of the operations of American Enka, the main U.S. subsidiary of Akzo, the Dutch chemicals and fibres group, is being prepared by the parent company as a result of the former's "extremely poor performance" in 1982. Akzo is hoping for improved earnings this year but clearly considers growth to be contingent upon a strengthening of American Enka and an upturn in the U.S. economy.

Akzona, the U.S. holding company of Akzo, which includes American Enka, made an operating loss last year of Fl 24m ($8.8m) compared with a profit in 1981 of Fl 99m. Almost all of the loss was incurred by the fibres division of Enka.

Mr Arnout Loudon, Akzo chairman, said yesterday that Akzona could begin making a positive contribution to group results again this year as cost-cutting measures already introduced took effect "provided that the U.S. economy does not take a turn for the worse."

Nevertheless, further measures were being investigated to improve the position of American Enka and, in an effort to improve the U.S. product mix generally, Akzo Pharma, the pharmaceuticals division, is to dispose of Brand-Rex, a cables and electronics venture, based in Connecticut.

Akzo, which saw net profits fall by 31 per cent last year to Fl 165m, enjoyed what the company calls "a relatively satisfactory result."

Mr Loudon said yesterday that Akzo had offered "adequate resistance" to the world economic recession in 1982, with net income only Fl 13m down on 1981.

He agreed that net income was still inadequate, when set against stockholders' equity, amounting to Fl 2.5bn at the end of the year. The return of this basis was only 6.5 per cent.

Enka to close Kassel plant by mid-1984

By John Davies in Düsseldorf

ENKA, the fibres division of the Dutch Akzo chemical concern, is determined to close its factory at Kassel in West Germany by the middle of next year "at the latest".

Dr Hans Günther Zempelin, a member of the Akzo management board, said yesterday that he saw no further obstacle to this target date.

Over the past two years the workforce has been bitterly fighting plans to close the lossmaking plant. The factory's trade union chief went on a hunger strike at one stage and recently the workers turned to the courts for help, but without success.

Dr Zempelin said the Kassel closure would complete a series of restructuring measures – also involving shutdowns in Northern Ireland and the Netherlands – to cut Enka's excess capacity in synthetic fibres for textile and carpets,

Recovery for Swiss charter airline

BY JOHN WICKS IN ZURICH

BALAIR, Switzerland's leading charter airline, returned to profit last year. The Basle-based company, 57 per cent of whose capital is held by Swissair, booked net earnings of SwFr 2.08m ($1.02m) after a net loss in 1981 of SwFr 2.22m. The board will, however, again propose the passing of a dividend to cover a carried-over loss of SwFr 1.85m.

The improvement took place despite a 4.5 per cent drop in turnover to SwFr 164.5m and an increase in depreciation by almost SwFr 1m to SwFr 10.45m. The return to profitability was due to a 7.8 per cent cut in costs before depreciation to SwFr 152m, a reduction resulting primarily from the airline concentrating on short-distance charters.

Herr Heinrich Moser, Balair director, drew attention to "ruinous competition" on North Atlantic and Far Eastern charters.

● Swiss Industrial Company (Sig), of Neuhausen am Rheinfall, has bought the railway machinery manufacturer Matisa from the Canadian concern Canron.

Trade Development Bank Holding S.A.
Luxembourg

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of Trade Development Bank Holding S.A. (TDB Holding) will be held at Hotel Nobilis, 47, Avenue de la Gare, Luxembourg at 2.30 p.m. on 10th May, 1983 for the purpose of considering and voting on the following matters:

1. Approval of the Chairman's Statement.
2. Approval of the Statutory Auditors' report and the unconsolidated financial statements of the Company for the year ended 31st December, 1982.
3. Discharge of the Directors and of the Statutory Auditors concerning their duties relative to the year ended 31st December, 1982.
4. Distribution of a dividend of US$ 1.50 per share and the carrying forward of the balance of the profit.
5. Election of the Board of Directors and of the Statutory Auditors for 1983. All the Directors are eligible and stand for re-election.
6. Approval of the consolidated financial statements of the Company for the year ended 31st December, 1982.
7. Amendment of the Articles of Incorporation to enable the Company to have interim financial years and statements to be submitted to the approval of the Shareholders at general meeting, and accordingly to determine interim dividends or other distributions in cash and/or in kind including the appropriation of profits to the redemption of shares to be held thereafter as treasury stock.
8. Determination of an interim financial year ending 31st March, 1983.

By Order of the Board,
Edmond J. Safra,
Chairman

NOTES:

Subject to the relevant resolution being approved, the dividend will be payable on 31st May, 1983: (i) in respect of registered shares to shareholders on the register as at 1st May, 1983 and (ii) in respect of bearer shares against surrender of Coupon No. 11 to any of the Paying Agents listed below.

Any shareholder whose shares are in bearer form and who wishes to attend the Annual General Meeting in person must produce a depositary receipt or present his share certificates to gain admission. If he wishes to be represented at the meeting, he must lodge a proxy duly completed together with a depositary receipt at the registered office of TDB Holding at 34, Avenue de la Porte-Neuve, Luxembourg, *not later than 9th May, 1983 at 5:00 p.m.* The shareholder may obtain the depositary receipt and, if required, the form of proxy from any of the banks listed below by lodging his share certificates at their office or by arranging for the bank by whom his certificates are held to notify any of the banks listed that shares are so held.

Any shareholder whose shares are registered will receive a notice of the Annual General Meeting at his address on the register together with a form of proxy for use at the meeting. The proxy should be lodged at TDB Holding's office in accordance with the above instructions.

The remittance of the form of proxy will not preclude a shareholder from attending in person and voting at the meeting if he so desires. The resolutions may be passed by a simple majority provided that no single shareholder or proxy may cast votes in respect of more than one-fifth of the issued capital or more than two-fifths of all shares represented in person or by proxy at the meeting.

Copies of this notice and of the Annual Report including the financial statements of TDB Holding for the year ended 31st December, 1982, may be obtained at its registered office, and from any of the banks at the following addresses:

*Manufacturers Hanover Limited, 8 Princes Street, London EC2P 2EN.
*Banque Internationale à Luxembourg S.A., 2, Boulevard Royal, Luxembourg.
*Manufacturers Hanover Bank Belgium, 13, Rue de Ligne, 1000 Brussels.
*Manufacturers Hanover Banque Nordique, 20, Rue de la Ville-L'Evêque, 75008 Paris.
**Manufacturers Hanover Trust Company*, 40 Wall Street, New York, N.Y. 10015.
*Manufacturers Hanover Trust Company, Bockenheimer Landstr. 51/53, Frankfurt.
*Republic National Bank of New York, 452 Fifth Avenue, New York, N.Y. 10018.
Trade Development Bank, 25, Corso S. Gottardo, 6830 Chiasso, 1.
*Trade Development Bank, 30 Monument Street, London EC3R 8LH.
Trade Development Bank (France) S.A., 20, Place Vendôme, 75001 Paris.
*Trade Development Bank (Luxembourg) S.A., 34, Avenue de la Porte-Neuve, Luxembourg.
Trade Development Bank, 2, Place du Lac, 1204 Geneva.

*Paying Agent of TDB Holding.

Sino Land makes HK property provision

By Andrew Fisher in Hong Kong

THE WEAK state of the Hong Kong property market has led Sino Land Company to make a special provision of HK$ 146m (US$22m) to cover the fall in investment values in the sector.

Sino Land, which went public *two years ago*, reported a sharply higher pre-tax profit for the six months to end-December of HK$180m against HK$9.7m, reflecting profits on the sale of a commercial building.

The company had already taken in a portion of these profits in its full financial year's results for 1981-82. In the latest half-year period, the special provision meant that net profits emerged at *only* HK$167,000 compared with HK$3m.

It described the provision as reflecting "a conservative approach" by the company to cover the expected loss on investment in associated and related companies stemming from lower property values. Earnings per share before the special provision were 21 cents against 0.43 cents.

But Sino Land did hold out some hope of an improvement in the property sector, especially for small residential flats. It said the market was more active here with prices having hit the bottom and having started heading for an upturn.

Limits raised on offshore loans by Japanese banks

BY YOKO SHIBATA IN TOKYO

The Ministry of Finance has set the quota on offshore loans by Japanese banks for the current April to September period, and has issued a new guideline on offshore lending after assessing the banks' overseas loan programmes.

The new quota sets offshore loans at Y700bn (U.S.$2.94bn), against Y580m for the previous October to March period. The Ministry bowed to requests by the banks to lift the ceiling on offshore yen loans in order to meet vigorous overseas demand. The loans carry interest rates well below those on dollar loans.

The ceiling on dollar denominated offshore loans was reset at U.S.$8bn—unchanged on the immediately preceding six months—reflecting Japanese banks' caution on lending to developing nations.

The new guideline, which is designed to restrain Japanese banks from making excessive overseas loans, suggests limiting foreign currency assets to 15 times the bank's equity capital. In addition, it suggests that inter-bank capital transactions in the Eurocredit market should be limited to less than 60 per cent of the bank's foreign currency assets.

Japanese banks' foreign currency asset holdings are currently estimated at around $350bn—about 10 times the banks' combined equity capital and well below the new limit.

Requests by some of the banks that loans committed to the rescue package arranged by the international banking community for heavily indebted sovereign borrowers should be separated from the ordinary quotas, were turned down by the authority. This means that banks having a large commitment to the rescue packages for Mexico and Brazil, will be contrained in terms of loans to the rest of the world.

In response to a further request by the banks, the authority agreed to approve the use of yen credits for part of the rescue packages, but only as far as this is provided for within the framework of the offshore yen loans permitted by the individual banks.

Surplus at Securities of Kuwait

BY KATHLEEN EVANS IN KUWAIT

IN ITS first ever published results, the Securities Group of Kuwait, the only active market maker on the official Kuwait Stock Exchange, has recorded a turnover of KD 470m ($1.6bn) for 1982, and net profits of KD 14.4m ($49m). The board has decided, however, not to distribute any profits.

The company says it was not active on the Souk al Manakh stock exchange, the country's unofficial market, which collapsed last year leaving $94bn of uncleared post-dated cheques. However, some KD 124.5m ($428m) in post-dated cheques were recorded on forward deals on the official exchange. Spot dealings, in contrast, totalled in number 2,400 transactions amounting to KD 344m ($1.2bn).

Assessing the value of post-dated cheques on forward deals has been a major problem for many Kuwaiti companies. Following recommendations from its auditors, the Securities Group has decided to put some KD 20m ($69m) to a special reserve. The board opted to supplement this by a further KD 8m ($27.5m).

Despite its apparent use of post-dated cheques in forward deals, the company referred in its annual report to such cheques as being "the most dangerous instrument of credit creation."

The report also recommends a traded option system to be adopted by the official exchange, by which buyers and sellers are required to deposit immediately full cover.

INTERNATIONAL APPOINTMENTS

New chairman at Bank Hofmann

● Dr William Wirth, a general manager of Credit Suisse, has been appointed chairman of BANK HOFMANN, Zurich, in succession to Mr C. Walter Fessler. Mr Werner Waeckerle has been named board vice-chairman, and Mr Jack Bolli, chairman and managing director of Reisebuero Kuoni, a board member.

● Mr Paul A. Rhinow will succeed Dr Theodor Stauffer as manager of the INTERNATIONAL AIRPORT BASLE/MULHOUSE on August 1.

● HEWLETT-PACKARD COMPANY has elected co-founder Mr William R. Hewlett to the new post of vice-chairman of the board. He will leave the executive committee, as will co-founder Mr David Packard, who will remain chairman of the board. Mr John A. Young will succeed Mr William Hewlett as chairman of the executive committee and continue as president and chief executive. Mr Richard C. Alberding has been elected a senior vice-president succeeding Mr William P. Doolittle, who will retire on April 30. The company has also named Mr Richard A. Hackborn and Mr Lewis E. Platt vice-presidents.

● Mr Norman N. Farr has been appointed president of MOBIL LAND DEVELOPMENT CORP, a wholly-owned subsidiary of Mobil Corp. He was vice-president of Mobil South Inc. He has served as president and general manager of Mobil Oil Philippines Inc. and as executive vice-president of Mobil Sekiyu, Mobil's principal affiliate in Japan.

● Mr Oscar Burchard, president and chief executive officer of The Ore and Chemical Corp, has been elected chairman of the board of governors of COMMODITY EXCHANGE INC (COMEX). Mr John L. Morace, president of Sligo Corp, was re-elected first vice-chairman of the board (floor group). Mr Henry G. Jarecki, chairman of Mocatta Metals Corp, and Mr John D. Coffin, executive vice-president of Drexel Burnham Lambert Inc, were elected vice-chairmen of the board (trade group and commission house group, respectively). Dr Andrew F. Brimmer, president of Brimmer and Co, was re-elected vice-chairman from the general/non-member group. Mr Irving Redel was re-elected treasurer of the exchange.

● Mr Robert W. Truxell has joined GENERAL DYNAMICS CORP as vice-president-general manager, land systems division, based in Detroit, Michigan. He has been elected a corporate vice-president by the General Dynamics board. Mr Truxell, who plans to retire from General Motors Corp after more than 40 years of service, will have responsibility for all operations of Land Systems.

● Mr Joel Katz has been named executive vice-president of the PLAYBOY CABLE NETWORK. He has been senior vice-president, administration and business affairs, for the Playboy Cable Network since last August. One of his new roles is the supervision of the Playboy Distribution Company, which syndicates programming for the Playboy Channel to free and pay-TV outlets worldwide.

● PKBANKEN has nominated Mr Rune Barnéus first executive vice-president and deputy president. His responsibility comprises international operations, the newly-formed corporate division, and branch operations. Mr Lars E. Piehl, his predecessor and deputy president, will continue to represent the bank as member of the respective boards of its Swedish subsidiaries and affiliates.

● Mr William S. Paley, chairman of CBS, Inc. and Mr Frank Stanton, president emeritus of CBS, have been elected to the board of the INTERNATIONAL HERALD TRIBUNE as representatives of Whitney Communications Corp., one of the owners of the Paris-based, English language, daily newspaper. Mr David L. Gorham, senior vice-president and chief financial officer of the New York Times, has been appointed a director. Mr Paley has been elected a co-chairman of the newspaper, along with Mrs Katharine Graham, chairman of the Washington Post Company, and Mr Arthur O. Sulzberger, chairman of the New York Times Company and publisher of the New York Times.

● Mr Charles E. Macfarlane has been appointed director of licensing and acquisitions for NORWICH EATON PHARMACEUTICALS, INC. He comes to Norwich Eaton from Procter and Gamble, which acquired Norwich Eaton on June 9, 1982, where he was responsible for managing the international expansion of pharmaceutical products, which are now becoming part of the Norwich Eaton line.

● Mr David H. Tocher has been elected an assistant controller of PENNWALT CORP, of Philadelphia. Before joining the company late last year as director of taxes, he was director of tax operations at SmithKline Beckman Corp.

North American Quarterly Results

AUTOMATIC DATA

Third quarter	1982-83 $	1981-82 $
Revenue	195.97m	178.53m
Net profits	18.71	16.65m
Net per share	0.54	0.49
Nine months		
Revenue	548.59m	495.94m
Net profits	45.91m	41.44m
Net per share	1.34	1.23

BUCYRUS-ERIE

First quarter	1983 $	1982 $
Revenue	144.9m	167.6m
Net profits	3.13m	7.24m
Net per share	0.14	0.37

COLT INDUSTRIES

First quarter	1983 $	1982 $
Revenue	365.1m	419.8m
Net profits	18.26m	25.48m
Net per share	0.66	0.96

GREAT WESTERN FINANCIAL

First quarter	1983 $	1982 $
Revenue	—	—
Net profits	6.03m	†21.0m
Net per share	0.22	—

† Loss

HERCULES

First quarter	1983 $	1982 $
Revenue	602m	640m
Net profits	24.4m	21.9m
Net per share	0.54	0.50

OWENS ILLINOIS

First quarter	1983 $	1982 $
Revenue	832.6m	855.8m
Net profits	5.8m	62.7m
Net per share	0.20	2.15

PETRO-CANADA

Year	1982 C$	1981 C$
Revenue	3.36bn	2.72bn
Net profits	130.6m	203.8m
Net per share	—	—

ROWAN COMPANIES

First quarter	1983 $	1982 $
Revenue	84.6m	118.8m
Net profits	14.26m	43.16m
Net per share	0.27	0.87

SQUARE D

First quarter	1983 $	1982 $
Revenue	252.2m	286.2m
Net profits	12.1m	19.3m
Net per share	0.43	0.70

TANDY

Third quarter	1982-83 $	1981-82 $
Revenue	104.4m	103.5m
Net profits	57.4m	45.4m
Net per share	0.55	0.44
Nine months		
Revenue	1.91bn	1.55bn
Net profits	204.1m	162.1m
Net per share	1.96	1.57

TEKTRONIX

Third quarter	1982-83 $	1981-82 $
Revenue	373m	347.9m
Net profits	13.7m	23.6m
Net per share	0.72	1.26
Nine months		
Revenue	908.7m	876.7m
Net profits	40.3m	58.6m
Net per share	2.13	3.14

TEXAS OIL AND GAS

Second quarter	1982-83 $	1981-82 $
Revenue	494.8m	481.7m
Net profits	73.3m	62.1m
Net per share	0.77	0.65
Six month		
Revenue	915m	916.1m
Net profits	141.9m	116.3m
Oper. per share	1.49	1.22

W. W. GRAINGER

First quarter	1983 $	1982 $
Revenue	187m	199.5m
Net profits	8.4m	11.9m
Net per share	0.58	0.83

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Hitting a high note in hi-fi

Raymond Snoddy on how a UK amplifier maker is taking on Japanese competition

WHEN Michael Creek unveiled an amplifier for the specialist hi-fi market early last year for sale at only £99—the reception was a little discordant.

Praise for the sound quality was mixed with disbelief that a British company could get its price so low and with coolness towards a price-cutting gate-crasher in an arcane established market.

"They said we'd be bankrupt in three months. If Japan and Taiwan couldn't do it that cheaply how could a British company?" says Michael Creek, 30-year-old managing director of Creek Audio Systems.

Sixteen months later the company run by Creek, his wife Susan and brother-in-law Ian Wiggington from the back bedroom of a semi-detached house in an outer suburb of North London is far from bankrupt. This is thanks largely to a policy of tight financial management which includes Creek giving no credit to customers—a bold move at the outset but one which is paying off handsomely.

The initial three amplifiers taken to a hi-fi exhibition in February 1982 have turned into sales of 750 a month—and are still priced at £99. More than 40 per cent of the output is exported to the U.S., Canada, Australia, Italy, Greece and Austria. The first six are about to leave for Singapore.

Demand for the Creek amplifier is running ahead of the trio's ability to turn it out and an allocation list has had to be drawn up for a dealership list now approaching 100. Turnover for this year—the first full year's trading—will, Michael Creek believes, be between £500,000 and £750,000 with a net profit of 25 per cent.

By September he hopes to be producing 1,000 amplifiers a month plus 500 tuners—a new product to be introduced next month.

And as a small accolade Popular Hi-Fi magazine has chosen a Creek amplifier for the system it is offering as first prize in a competition for readers.

The magazine describes the product as "a gem of an amplifier" and adds: "We had initially been a little put off by some less than glowing reports we had read but these turned out to be unfounded in our view and at £99 with a performance that to our ears beats the NAD 3020 (the main opposition manufactured in Taiwan) by quite a margin."

Roger Taylor

In tune in the hi-fi market (l to r): Ian Wiggington, Michael Creek and Susan Creek

Creek is able to compete with the Taiwanese and Japanese opposition because of a deliberate intention to design a product that gave good general performance and didn't cost a fortune, combined with very low overheads.

Design, planning and final testing are still carried out in the back bedroom office and the manufacturing is sub-contracted out to a small electronics company in Romford, Essex.

Electronics has always been a part of Michael Creek's life. Before he was ten he was wiring up a Wendy house with electric light and rigging up intercoms between the garden shed and his bedroom.

His father, Bob Creek, set up his own company, Wyndsor Recording, to manufacture tape recorders in 1950 and developed it into a general audio company serving the High Street retail and mail order market. It went into voluntary liquidation in 1980 after a long unequal struggle against imports.

When he left technical college Michael started working for his father as a storeman from 8 am to 5.30 pm.

He moved around most jobs in the company, including running the buying department—that was where he met his wife who was then his deputy—before leaving to set up on his own as a consultant.

The incentive to start designing and manufacturing his own products came in September 1981 when his then employer, a specialist hi fi supplier at the top end of the market, decided it no longer needed his services.

His father's experience, combined with a natural distaste for what he calls "technoflash"—lots of chrome, functions and flashing light rather than quality of sound—took him towards the specialist hi-fi sector where Britain's international reputation is high. Michael Creek took the last amplifier produced by Wyndsor Recording, redesigned it and made it smaller and much more powerful. He decided to take the risk of buying enough parts to make 100 amplifiers, putting his house on the line as ultimate guarantee of the bank loan.

Orders started trickling in three and four at a time after John Palmer, a freelance salesman, started representing Creek in the North of England. Then an order for 10 a month came from Liverpool and demand was already outstripping supply.

The amplifier is put into hi-fi systems by dealers—British manufacturers of turntables such as Rega and speaker manufactuers such as Mordaunt-Short.

Orders are now rising rapidly, but Michael Creek believes his financial prudence will ensure the business does not become over-extended. Where possible he insists on cash before delivery of order—both for UK and overseas orders. Where this is not legally possible he uses pro-forma payments or confirming houses. To date he has managed to work within a maximum £20,000 overdraft.

As a small concession to the growth of the business, however, Creek Audio Systems will next month move from the back bedroom to a more orthodox office.

The company will be using some spare space in the factory where Michael Creek first learned about running an electronics company and where his father — at the age of 60 — has started up again manufacturing electronic security alarm systems.

In brief...

ALMOST 1,000 students from the eight Scottish Universities have displayed an interest in Graduate Enterprise—an imaginative new scheme launched North of the Border in January (see this page, January 4). The idea is to encourage bright young graduates to set up their own business by selecting the best and putting them through an intensive training programme.

Of the 850 who attended conferences at each campus in February, 10 per cent are expected to submit their ideas shortly to a panel of leading businessmen. The forty considered most viable will be chosen and offered a training package (including accommodation, market research grant, and professional advice) worth an estimated £5,000 per head.

"There is little doubt that the scheme will be substantially widened and repeated in 1984," says Stephen Duffy, a management consultant with accountants Arthur Young McClelland Moores, who has been seconded to co-ordinate the scheme. "There has been a lot of interest from the U.S., Canada and New Zealand, and from a number of 'non-university' educational establishments in Scotland and England." More details from Stephen Duffy on Sterling (0786) 64711.

●

A one day session at the Polytechnic of Central London is being organised for people who want to start their own business, but do not know what business to start. The session will include talks on finding an original idea, buying a going concern or taking up a franchise. "Finding the Right Business Ideal" has been organised by the London Enterprise Agency. More details from Vicky Sargent, training manager, 01-248 4444 ext 227.

●

An unusual form of finance combining private investors using the Business Start-up Scheme alongside institutions has been completed for the Belfast-based American Monitor International (AMI). Overall the deal was worth in excess of £5m. Electra Risk Capital and AMI's financial advisers Guidehouse report that almost 750,000 shares were subscribed by individuals and over 1m by approved investment funds using the start-up scheme relief at £1.04 each. AMI manufactures major clinical chemistry blood analysers.

Don't open the box— take the money

Ian Hamilton Fazey on a new TV venture capital quiz show

TELEVISION producer Jim Walker says jokingly that one way to have presented his new programme would have been to use Bamber Gascoigne, the quiz-master of University Challenge. Confronted by a panel of competing, would-be entrepreneurs, each with a finger on a buzzer, the smiling Gascoigne would shuffle through a pack of question cards and say: "Right! And here's your starter now for £25,000."

An alternative might even have been a television version of Have a Go, with a homely successor to Wilfred Pickles asking gentle questions, such as: "What is a debtors' ledger?" or "What is meant by overtrading?" The right answers would then be the cue for a hearty "Give him the money, Mabel."

The reality will not be very different. For one part of his new show, Walker is going to have a good-looking TV presenter named Judy Finnigan stationed in deep Lancashire in the street outside a would-be entrepreneur's home or business premises. The aspirant will answer questions over a link to Granada's Liverpool studio, where a panel of experts will assess the answers.

"Give him £1,000, Judy," they will say if the idea is a good one. The cash will be handed over there and then.

Walker explains that this will be "seed" money to buy such things as professional advices or market research and so move an idea to the pre-funding stage. But that will be only the secondary theme of Flying Start, a series of eight half-hour quiz shows which Granada will start screening next month to replace its Friday evening 6 pm soccer preview.

In the studio the rather more serious contestants will be competing for the series' main prizes — up to £25,000 in cash towards the start-up of a new company or venture that will create jobs on Merseyside. Hundreds of applications to take part have already flooded in.

Thus has show business caught up with recession. So far, coverage of the subject has been confined to news and current affairs, or educational programmes. What is different about Flying Start is that it is concerned with industrial regeneration as prime time entertainment.

Granada was prodded into doing something positive to create jobs by Michael Heseltine when he was Environment Secretary and Minister for Merseyside, although the company claims it was thinking about it already. Most people thought that this would mean another minority-interest programme in the current affairs or educational category, not dissimilar to business advice programmes of other TV companies, and screened at some off-peak time — just the sort of thing to earn "brownie points" with the Independent Broadcasting Authority.

Granada managing director David Plowright thought differently and backed the idea of Flying Start.

But the prospect of selling an idea on television, rather than to a bank manager in the privacy of his office, has inevitably attracted some cranks. The most notable so far has been a man who wants to decimalise time, with 100-second minutes, 100-minute hours, and ten-hour days. His theory is that while the world's politicians got on with negotiating a global switch to D-time, he would be beavering away in some advance factory units ensuring that Britain cornered the world market in decimalised clocks.

Not surprisingly, therefore, all applications are going through a tight vetting procedure to ensure that only the real go-ers get to the short list for inclusion on the programme, which will have three main contenders each week fighting to get to the finals. Eliminated competitors may still get sizeable cash consolation prizes.

Judging them will be a panel run by Glyn Jones, who is Merseyside area director of NatWest. Fellow panellists will include already-successful business people and an innovation expert.

Questions are being supplied by the Manchester Business School. Walker expects the show to have all the drama and suspense of Mastermind, and with jobs and futures at stake. Where is the money to come from? Half of it will be provided indirectly by the taxpayers, because the Government has agreed to match pound for pound anything Granada raises from the private sector. The Government's contribution will be channelled via the urban aid programme and the Merseyside County Economic Development Office.

Granada's general manager in Liverpool, David Highet, has been having a tough time getting money out of hard-pressed companies but his job has now been eased by Granada's being granted the status of an enterprise agency under the 1982 Finance Act. This enables donations to the trust fund it has set up to be offset against corporation tax.

Highet says that at least £100,000 is now likely to be available. The IBA has helped by giving permission for all private sector donors to be given a screen credit at the end of each programme.

The programme will also be watched closely for networking potential. If it works, Granada sees a nationwide version as being able to provide really big prize money, with no shortage of private sector backers. Potential winners might even make winning the show, with all the attendant publicity, an integral part of their marketing strategy.

BUSINESS OPPORTUNITIES

BUSINESSES WANTED

BUSINESSES FOR SALE

COMPANY NOTICES

UK NEWS

Appeal launched over insurance 'slip' cancellation

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A HIGH COURT judge's decision that there was a "custom or practice" in the London insurance market, whereby an insurance "slip" could be cancelled while going the rounds of the market, was challenged in the Court of Appeal yesterday.

Mr Justice Staughton's ruling in the Commercial Court in October, 1981, had far-reaching implications for the insurance world but had been entirely against the weight of the evidence, the appeal court was told.

A "slip" is a piece of paper on which a broker obtains a series of signatures of underwriters prepared to accept a proportion of a risk. It is commonly treated as a contract which does not have to be superseded by a policy.

The challenge came from General Reinsurance Corporation, which was the first of 28 specific reinsurers of 28 insured by Forsakringsaktiebolaget Fennia Patria (Fennia) in connection with consignments of paper, one of which was destroyed by a fire in an Antwerp warehouse covered by the specific reinsurance.

GRC had initialled a retrospective amendment slip which, if binding, would have limited its liability to its proportion of the FM 2m (£240,000) of the FM 27m loss for which Fennia was liable. If the slip was not binding GRC would be liable for its proportion of FM 12m.

Mr Justice Staughton rejected GRC's contention that the amendment, which Fennia claimed to have validly cancelled, was binding—even though it had not been signed by all 28 reinsurers.

He gave judgment against GRC for FM 3,409,195 with interest of FM 1,477,315.

The judge said that while an original slip was going round the market, and was not yet 100 per cent subscribed, those underwriters who had signed accepted that it might be cancelled, although they might require time-on-risk premium if the cover had already begun.

While there appeared to be *no such custom or practice* concerning amendment slips as such, the judge could see no reason why, what he was satisfied existed in relation to original slips, should not extend to amendments.

Business efficiency also supported the existence of a right to cancel, he said.

Mr Justice Staughton said that his ruling applied generally, although made in a dispute about a risk placed in the non-marine market, with companies as opposed to Lloyd's underwriters, and for reinsurance rather than direct insurance.

Appealing against that ruling Mr James Fox-Andrews QC, for GRC, said yesterday that there was not certain evidence that such a custom or practice existed in the London market.

Far from being notorious, it had clearly not been known to GRC when it signed the amendment.

Its existence was not clear, convincing and consistent, as required by the principles that applied to a question about whether or not a particular usage had been established.

As for business efficacy, said Mr Fox-Andrews, such an implied right to cancel would have been most unreasonable. He commented that one of Fennia's expert witnesses had been prepared to go no further than saying that the parties would have agreed only reluctantly to such a term.

The hearing continues today.

From bomb disposal to consultancy

Elms finds another way to grow

BY ANDREW FISHER

MR HARRY E. ELMS used to be known as "High Explosive Elms" during his time as a bomb disposal expert. Now, in these gentler times, he has taken on the equally delicate, though less dangerous, task of building a new enterprise.

Late last year, he formed Harry E. Elms Associates in Bedford to act as go-between in unusual and specialised deals, some verging on the bizarre.

The first was fairly down to earth: arranging the building of six mobile home units for European managers in charge of supermarket construction in Algeria. On that deal, commission was £130,000.

Such purpose-built units are Mr Elms's speciality. But his company was set up to move into wider fields and at present he has a list of around 20 pending and potential projects. Second-hand aircraft for Australia and mobile egg and chicken shops for Nigeria are among them.

Between dismantling bombs along Britain's east coast while with the Royal Air Force in the late 1940s and forming his company, Mr Elms spent 31 years in Africa with Lonrho, Unilever and Blackwood Hodge and acted as a management consultant.

He left his last job as general manager of CAP Bodies, a vehicle company in Sandy near Bedford, to design his own big specialist vehicles, including mobile supermarkets. Then he decided to branch out, taking on consultants who could generate business and work from home.

"I thought there must be plenty of people on the market who would know of deals and could handle some of them." He advertised, received more than 60 replies and short-listed 19 people. From these, he chose seven.

In the first full financial year from this month Mr Elms hopes to do about £1.5m of business on mobile units. He plans employing a full-time person to sell the units and three permanent consultants.

He reckons the company needs turnover of £1.2m on mobiles to break even; the other £300,000 was added as a worthwhile target.

Harry Elms . . . delicate tasks

Since last December, the company has actually quoted for total business of £4.7m on mobile units. They cost upwards of £80,000 for kitchen, shop, or workshop and with another £25,000 for the tractor unit.

From this, the company wholly owned by Mr Elms who, put in £50,000 of his own money at the start—will take fees of up to 10 per cent.

One deal now going through involves the supply of £4m worth of equipment and technology for a brewery in Uganda. The Elms fee will be around 1 per cent.

Others cover low-cost housing for Indonesia, West Africa and Sri Lanka, a £3m project for mobile fish handling units in Nigeria, finding a £1.7m bitumen tanker for Saudi Arabia, and £1.5m worth of machinery for a soft drinks factory in Nigeria.

The company is also working on the daily supply of 200,000 barrels of crude oil from Saudi Arabia to a customer in continental Europe. The total deal would be worth some $4bn, with Elms taking 1-1½ cents a barrel in commission.

Currys boosts dividend as profits expand to £15m

AFTER A substantial increase in the provision for unmatured profit on credit trading from £1.68m to £11.3m, taxable profits of electrical appliance, television, radio and video equipment retailer, Currys Group expanded from £11.27m to £15.06m for the year ended January 26 1983.

Excluding VAT of £44.27m (£36.36m) group turnover amounted to £283.57m, a £50m increase over the previous year.

Stated earnings per 25p share were 4p higher at 20.8p and the net dividend is boosted from 4.95p to 6.75p per share with a final payment of 5.75p.

At the interim stage profits had fallen from £4.43m to £3.89m but the directors said that, overall, prospects for the second half appeared favourable, and that they expected satisfactory results for the full year.

Mr Dennis Curry, chairman, says there has been very little price inflation on the company's merchandise over the past year, but recent events on the currency market are likely to cause a number of price increases on imported goods in the weeks ahead.

On the video recorder front, the recent accord between the EEC and the Japanese Ministry for International Trade will reduce the number of Japanese video recorders coming into the UK, and those that do come in may be at noticeably higher prices.

"It is difficult at this stage to judge precisely the consequence of this, but we do not anticipate it will have an adverse effect on our trading position."

Sales so far this year have been usefully up on those of a year ago and, if this trend continues throughout the year, the company should see a satisfactory year-end profit, Mr Curry states.

There has been a very significant increase in the group's rental assets from £17m to £29m, indicating the speed of its development, and the rental business is now producing useful profits after charging to it all the costs of financing.

The chairman points out that for the first time for many years the company had a sizeable net borrowing at the year-end of £9m. This figure was within the group's planned expansion budget, and resulted mainly from the funding of rental and an increase in hire purchase balances.

In addition the company acquired and opened 20 new trading outlets and relocated a further 18 into larger premises, resulting in a 3 per cent increase in group selling area during the year.

The substantial investment in prime high street property is "of course our main asset." This investment continues to appreciate and in the current cost balance stands at £94m, Mr Curry says.

Trading profits surged from £10.92m to £25.76m for the 12 months, and apart from the increase in provision for unmatured profit on credit trading, the pre-tax figure was after interest payable of £559,000 (£1.29m receivable) and included a £1.17m (£741,000) surplus on the sale of properties.

Tax was much higher at £5.34m (£2.84m) leaving an available balance of £9.73m, compared with £8.43m. Dividends will absorb £3.17m against £2.34m.

The unmatured profit provision represents gross profit and interest on credit trading accounts which are not taken into profit until cash instalments are received. The credit trading balances amount to £36.5m (£22.06m) after the carried forward provision for unmatured profit of £24.54m (£13.34m).

See Lex

Electro-protective widens appeal

BY DAVID DODWELL

Electro-protective Corporation, the U.S.-based security group owned by Mr Micheal Ashcroft's Hawley Group, is to be incorporated into a Bermuda-based holding company so that U.S. investors can buy Electro-protective shares.

Mr Ashcroft explained yesterday that when he bought Electro-protective for $23.6m (then worth £13m) in August 1981, he had to include a prohibition in the company's articles preventing the company's shares from being offered to U.S. investors.

The incorporation in Bermuda, as a wholly-owned subsidiary of Electro-protective Ltd., will enable U.S. investors to buy shares once it comes into effect on Friday.

Mr Ashcroft said a number of U.S. firms had expressed interest in buying shares. In addition, the company was planning a share-buying scheme for employees.

The announcement coincided with news that Electro-protective had bought four new burglar and fire alarm stations in Ohio for $3.78m. The investment is the first outside the east coast of the U.S., and follows the purchase in December of companies in New Jersey and New England, worth $5.53m.

On the company reorganisation, Mr Ashcroft said shareholders in Electro-protective Corporation will cease to hold shares in that company, but would hold shares in Electro-protective instead. Hawley Leisure, a subsidiary of Hawley Group, holds a majority of Electro-protective shares, and has approved the reorganisation.

Taxable profits for the 15 months to the end of 1982 came to $4.7m—compared with $3.45m for the 12 months to the end of 1981 as stated in the company's pro-forma statement of consolidated profits contained in its offer for sale dated May 4 1982.

Turnover came to $30.34m, against $21.26m, while after tax of $786,000 ($1.66m) the net profits emerged at $3.91m ($1.78m). Minorities took $13,000 (nil).

Earnings per share before exceptional debits of $1.17m (nil)—mainly for financial costs—are given as 18 cents (7 cents) and a dividend of 1 cent gross per share is recommended.

The directors say the current year has started well and they expect another satisfactory outcome with turnover at a rate in excess of $50m per annum. Further acquisition opportunities are being explored in order to take advantage of the excellent prospects for continued growth, they add.

Electro-protective shares closed 2p down yesterday at 248p.

Security Centres Holdings, the burglar and fire alarms group, returned from almost two months suspension yesterday, to see its share price soar 142p to close at 495p.

Share dealings were suspended late in February following an announcement that the company had purchased Jeweller's Protection Services of New York for $26m. Security Centres is understood to have narrowly beaten Michael Ashcroft's Electro-protective Corporation in snapping up the company — New York's second largest security group.

Shares leapt from 330p to 353p before the company asked for dealings to be suspended. Jeweller's was the third linked purchase in the U.S. in as many months, after first entering the U.S. through Gibraltar Central Security Corporation in Miami in June last year.

Blockleys expands by 61% to £0.6m

A leap of 61 per cent in pre-tax profits from £404,926 to £652,017 was shown by Blockleys for 1982. Turnover of this facing brick maker moved ahead from £3.13m to £3.69m. A higher total dividend has been recommended.

Sales for the second half were 25 per cent up on the level achieved in the second half of 1981 say the directors, but they say the pre-tax results improved because of tight control of expenses and an improvement in gross margins.

The net final dividend has been lifted from 5.37p to 7.5p, which raises the total from 7.3p to 10p. Net earnings per 20p share are shown as rising from 15.52p to 18.45p.

At the trading level profits rose sharply from £400,283 to £652,017. Interest receivable last time came to 4,643.

Tax rose from £168,000 to £371,000, which this time included £70,000 relating to prior years (disputed). After dividends absorbed £154,200 (£113,700) the retained balance emerged little changed at £126,817 compared with £123,226.

City of Bristol makes £35m stock issue

In the second major local authority stock issue within a week, the City of Bristol is offering £35m 11¼ per cent loan stock redeemable in 2008, at £98m per cent. A week ago the Borough of Sunderland offered £25m redeemable stock, 2008, which was oversubscribed.

The Bristol stock is payable as to £20 per cent on application and £78 per cent on October 12 1983. The fully grossed up redemption yield is 11.74 per cent.

Brokers to the issue are Pember & Boyle, and Butler, Laing & Cruickshank.

● comment

The gross redemption yield on the Bristol stock is at a fractionally tighter premium over the comparable gilts, than was last week's offer from Sunderland. But there are countervailing factors in the smaller part paid element—only £20—and in the greater size of the Bristol. In theory that should make it more marketable, and in fact it seems that some local authorities are currently buying up their stock in the market. That is a good sign for Bristol, who could probably have got better terms from the Public Works Loan Board, had the council not already exceeded its quota. These issues have recently tended to imitate Bulldogs, in delaying the announcement of terms to the last possible moment. Bristol evidently preferred the certainty of fixed terms, while the brokers to the issue receive an extra 0.25 per cent underwriting fee for their daring.

Royal Insurance 'will not write unprofitable business'

MR JOHN HOWARD, chief general manager of Royal Insurance, in his review of the operations of the group in the 1982 report and accounts, emphasises that it was the cornerstone of group policy not to write business at inadequate rates just to maintain market share, let alone increase it.

He confirms that the group's basic policies, outlined two years ago, remained in force in that the long-term objective was to at least maintain the group's overall market share and where appropriate to increase it.

This policy involved considering for each main class of business, the overall insurance result, combining underwriting balance and investment income in setting rates.

Mr Howard is emphatic that this approach did not imply, as was sometimes suggested, that underwriting losses were generally acceptable. In most classes it was necessary to earn some underwriting profit before taking investment income into account in order to achieve a reasonable return.

But he points out that in certain other classes, where the group had use of the insurance funds for several years, investment income was even more important and not to recognise this in the rating would be unfair to policyholders as well as pricing the group out of the market.

Mr Howard states that the group regarded the defining of actual figures of just how much, or how little, attributable investment income contributes to the overall profit to be as valuable a discipline as maintaining sound underwriting standards.

As already reported, pre-tax profits of Royal fell from £117.5m to £96.5m after underwriting losses had climbed from £103m to £166m and investment income had improved from £152m to £181m.

General insurance funds of Royal rose during 1982 from £2.97bn to £3.82bn, while long-term funds climbed from £1.43bn to £1.68bn.

Mr Daniel Meinertzhagen, in his chairman's report, refers to new operating structures being put into place in Australia and Canada following the completion of the long term studies of the group's operations in these countries. The short-term action had already produced improved results in both countries, although it had meant lost business especially in Canada.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div.	Total for year	Total last year
Blockleys	7.5	June 8	5.37	10	7.3
C. D. Bramall	3.95	May 27	3.95	6	6
British Empire Secs. int	0.2	—	0.2	—	0.88
Currys	5.75	June 6	4.2	6.75	4.95
W. Duncan & Goodricke	12	—	12	12	12
Feb Intntl.	1.65	May 26	1.5	2.4	2.25
W. Lawrence	6.55	July 4	5.75	9.3	8.25
London & Continental‡	0.2	—	0.15	0.2	0.15
Twinlock‡	0.5	—	Nil	0.9	Nil

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock.

Feb Intl. down slightly pre-tax

ALTHOUGH THERE was an improvement in second half profits of £40,000 to £520,000 pre-tax, Feb International, chemical manufacturer and retail distributor of building materials, finished 1982 just behind at £862,000, compared with a previous £909,000.

Sales were well ahead at £21.59m, against £16.43m for 1981.

After lower tax, however, of £358,000 (£428,000) net profits amounted to £504,000 compared with £481,000, giving earnings per 10p share of 7.37p, up from 7.03p a year earlier.

And the dividend is lifted from 2.25p to 2.4p net with a final payment of 1.65p, the total absorbing £151,000 (£154,000). Mr Gordon Fisher, chairman, and his wife have waived their final dividend on 800,000 shares.

Trading in the opening weeks of the current year has been encouraging and providing the improvement in the building and construction activity continues, Mr Fisher feels confident that the group can look forward to "another year of progress."

In their interim report last October, the directors said that the increase in soles and trading surplus—to £9.95m (£8m) and £760,000 (£719,000) respectively — was achieved despite adverse winter weather and a reorganisation of certain overseas sales arrangements.

They added that underlying trends with in the group continued to improve with the consolidation of existing activities, complemented by expanding investment in overseas markets.

Pre-tax figure for 1982 was after depreciation of £345,000 (£279,000) and interest charges of £251,000 (£226,000). After the tax charge and dividends the amount retained was £353,000 against £327,000.

Net tangible assets totalled £3.37m (£3.01m) at the year end, equal to 49.22p (44.05p) per share.

RESULTS AND ACCOUNTS IN BRIEF

BRITISH EMPIRE SECURITIES AND GENERAL TRUST (investment trust)—For six months to March 31 1983: interim dividend 0.2p (0.2p) per 5p share; gross income £168,312 (£171,370): expenses £21,317 (£20,606): net pretax revenue £146,995 (£150,764): tax £44,579 (£45,716): net asset value per share 23.1p.

LONDON AND STRATHCLYDE TRUST (investment trust)—For half year to February 28 1983: Gross revenue £361,051 (£368,698): net revenue available £135,887 (£118,962) after interest and estimated tax: stated earnings per share 0.94p (0.83p): net asset value per share after deducting prior charges at par 117.2p (86.6p as at August 31 1982).

JAPAN ASSETS TRUST—The directors intend to pay a single dividend in December. This will be lower than last year, reflecting the low yield on Japanese shares. Gross revenue for the six months to the end of March 1983 £102,000 (£93,000): attributable earnings £26,000 (£18,000). Net assets per share 31.9p (19.1p). Directors say that the economic outlook is more favourable for the world as a whole and Japan in particular.

PROVIDENT FINANCIAL GROUP—At AGM Lord Chelmer, chairman, said: "Lower interest rates helped group achieve good results so far in 1983. Insurance and estate agency activities grown stronger in past year, and along with most recent acquisition, Car Care Plan, made good start to year. Demand in credit business continues to be weak. Despite this expect to announce improved results for first half. Dependence on traditional business becoming less each year and 1983 will see continuation of process. Sir Timothy Kitson, MP, becoming new chairman.

STAG FURNITURE HOLDINGS (furniture manufacturer)—Results for 53 weeks to December 31, 1982 and prospects reported March 23, 1983. Group fixed assets £7.82m (£6.72m). Net current assets £3.35m (£4.47m) including bank and cash £11,000 (£1.87m). Shareholders' funds £10.96m (£10.86m). Increase in net borrowing £1.96m (£0.75m decrease). Chairman says outlook is now more promising than for some time. Meeting, Nottingham, May 11, noon.

BBA GROUP (manufacturer of friction materials, conveyor belting and industrial textiles)—Results for 1982 and prospects reported March 25, 1983. Group shareholders' funds £48.26m (£45.03m). Fixed assets £42.24m (£39.81m). Net current assets £23.67m (£21.65m). Net borrowings £3.25m (£5.31m). Working capital increased £2.08m (£1.34m). Meeting, Bradford, May 12. 11.30 am.

UNITED BISCUITS (HOLDINGS)—Results for year to January 1, 1983 and prospects reported March 18. Group shareholders' funds £264.3m (£244.4m). Fixed assets £343.6m (£291.8m). Net current assets £72.2m (£76.4m). Capital expenditure £59.7m (£55.6m). Payment to former director £35,000. Meeting, Edinburgh, May 11, noon.

London and Continental Advertising rises 29%

AS EXPECTED, 1982 profits of London and Continental Advertising Holdings show an improvement, with a 29 per cent increase at the pre-tax level from £318,095 to £410,356. Turnover of this USM company also rose by 29 per cent from £1.73m to £2.23m.

At the interim stage, reporting profits up from £160,423 to £205,112, the directors said the outlook was promising and they anticipated the year's results would be ahead of 1981.

The dividend for the year is being stepped up from 0.15p to 0.2p net per 20p share.

The directors look forward with great confidence to the current year and say the company is well placed to take advantage of every opportunity

The prestigious London Transport roadside advertising business won since the end of the year has placed the company in the forefront of the poster advertising business.

The benefits from this new joint venture will start to come through in the current year

In the year under review, the group balance sheet was strengthened and its financial resources were substantially extended.

All divisions within the group performed well, but the major thrust of the expansion came from poster activities.

Earnings per share for 1982 increased from 1.05p to 1.27p. The tax charge was £57,000 higher at £210,000, an extraordinary debit took £21,249 this time and there was also a minority profit of £144 (£165 loss).

StanChart capital account expenditure

In his annual review, Lord Barber, chairman of Standard Chartered Bank, says that the group has continued to spend heavily on capital account, with total outlays during 1982 of £115m.

Unforeseen delays have led to a bunching of premises expenditure in the period 1982-1984, particularly on three major projects in Britain, Singapore and South Africa, "and rigorous control is being exercised to contain worldwide premises spending," the chairman states.

Meanwhile there is a continuing need to spend heavily on telecommunications and computer equipment "if the Bank is to take advantage of the opportunities to improve service and efficiency."

As reported on March 23, the group's pre-tax profit fell by 7 per cent from £260m to £242m. Specific provisions against bad and doubtful debts more than doubled to £72m and directors judged it prudent to add £13m to the general debt provision which currently stands at £88m.

Meeting, Connaught Rooms, WC, on May 12, noon.

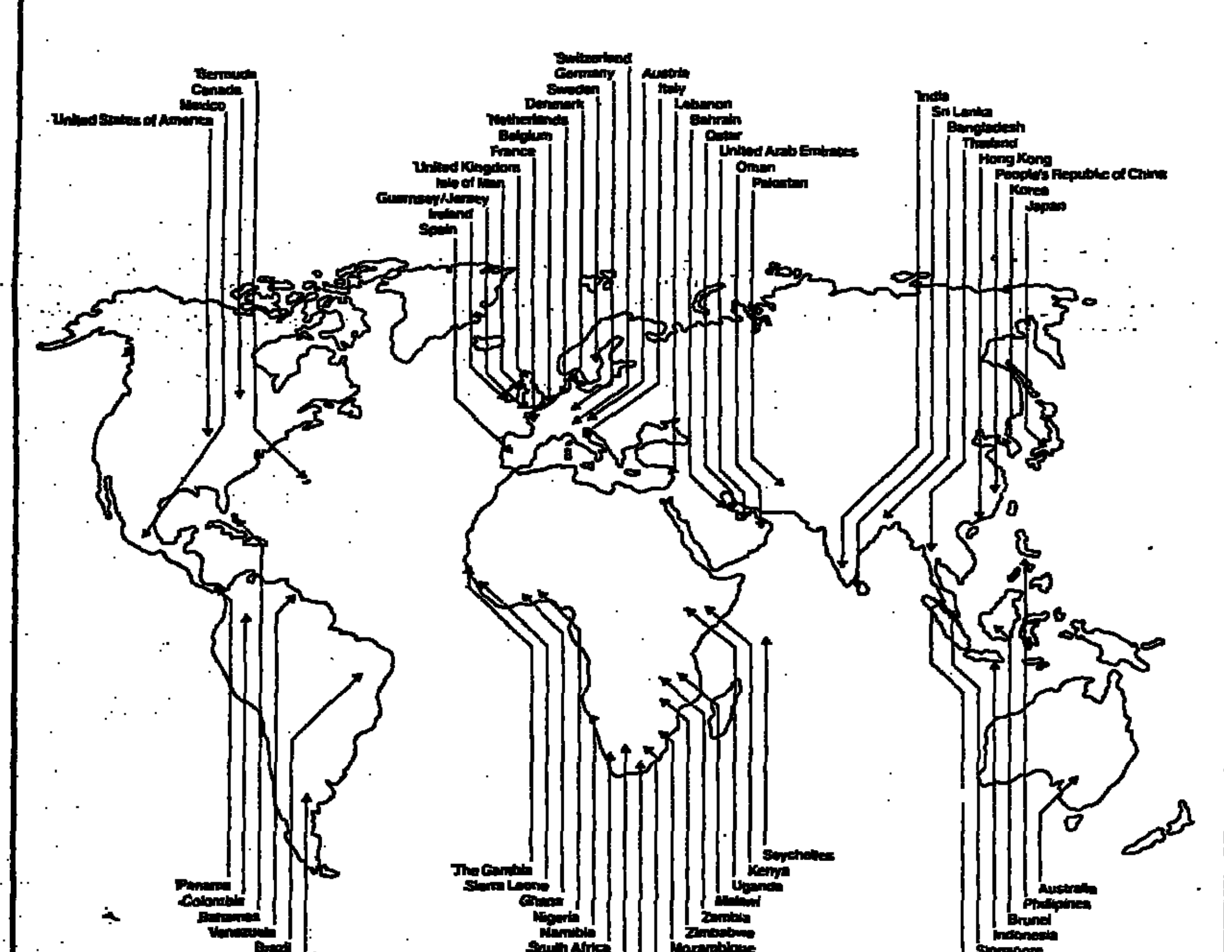
Standard Chartered
BANK PLC

Comments by the Chairman, The Rt. Hon. Lord Barber

Shareholders' Funds now £1,141 million

Capital Resources now £1,632 million

Total Assets now £24,307 million



1,900 offices in over 60 countries around the world.

Profits before taxation for the year ended 31st December, 1982, amounted to £242 million, compared with £260 million the year before. The net profit attributable to shareholders, after deducting taxation and minority interests, was £114 million or 88 pence per share. The total dividend proposed for the year is 27 pence per share.

A modest improvement was achieved in our operating performance around the world in spite of the recession but this was more than offset by the large increase in provisions against doubtful loans.

1982 was a year of difficult trading conditions for commercial banking and consumer finance in most of our principal markets. The worldwide network of foreign exchange and treasury centres achieved very satisfactory results. The slowdown in the South African economy affected our subsidiary there, but the improved prospects in the closing months led to a better outturn than had earlier been anticipated. Union Bank produced creditable results in the difficult Californian market. In the Far East, the tougher trading climate in Hong Kong was exacerbated by some concern about the future of the territory.

In the early part of the year a worldwide cost reduction programme was instituted, the benefits from which will be realised in the current year, as well as instilling a generally more alert attitude to cost factors. For a bank such as ours the importance of keeping abreast of the latest developments in information technology is obvious, and we are engaged in a major exercise to improve the Bank's systems.

With such wide geographical coverage there are inevitably changes from year to year in our representational structure. In addition to an increased presence in China, there were other significant changes referred to in my fuller Statement with the Report and Accounts.

In particular, in the United States we have formed an integrated management group to make the most effective use of the presence which the Group already has in seven major States.

Our merchant banking interests now cover ten countries. Last year we took a significant further step by agreeing to acquire MAIBL, the first of the London consortium banks, which will merge with Standard Chartered Merchant Bank.

The problems of international debt servicing for the banking system have seldom been out of the headlines during the past year. It can readily be seen now that several countries had allowed too high a proportion of their public debt to be borrowed abroad and that the prolonged recession and continued high interest rates have created a difficult situation. It will take time for a better balance to evolve, and banks with a continuing interest in the long-term health of the countries experiencing difficulties must play a responsible and co-operating role in easing the adjustment.

For Standard Chartered our concern is both with the internal health of the countries in which we operate commercial banking businesses, and with the safety of our international lending. Other than trade finance, international lending has never been a dominant feature of our operations. We have, however, a well spread portfolio of sovereign type lending, the major part of which is to countries where we have an established banking presence.

Copies of the Report and Accounts and of the Chairman's Statement may be obtained from: The Secretary, 10 Clements Lane, London EC4N 7AB

Direct banking, worldwide

MINING NEWS

Costs hit gold profits

BY KENNETH MARSTON, MINING EDITOR

HIGHER costs have eroded the benefits of an increase in the gold price received by the South African gold mines in the Rand Mines group during the March quarter. Electric power charges have been lifted by 16 to 18 per cent and there have been increases in the cost of timber and explosives.

The average gold price received in the quarter rose by 8.3 per cent to $471 per oz but because of the improvement in the value of the rand against the dollar the income in terms of rands was just under 4 per cent up at R16,378 per kg.

Gold production at Blyvoor was lower in the past quarter because of the need to reduce the rate of extraction from the No. 1 shaft pillar. This temporary decline in grade will continue to affect the mine's gold production over the next two quarters.

Even so, the higher gold price left the mine with an increased working profit and there was also a sizable increase in by-product uranium deliveries during the period.

Harmony has also done well with uranium sales; such increases these days, however, reflect the phasing of deliveries rather than any new business. On the other hand the mine has suffered a sharp increase in costs and the tax charge has been increased by a fall in offsetting capital expenditure.

Lower tonnage milled coupled with a reduced ore grade and higher costs has resulted in the veteran Durban Deep failing to match the December quarter's high earnings level. But the latest result is still well above those of earlier periods when the mine was receiving Government aid.

In the case of East Rand Proprietary the benefits of increased gold production have been offset by a sharp rise in working costs. A claim for State aid is to be submitted but this is not included in the latest figures because it is not yet known what capital expenditure will be allowed for the purposes of assistance.

Latest quarterly net profits of the group mines are compared in the following table.

	Mar qtr R000s	Dec qtr R000s	Sept qtr R000s
Blyvooruitzicht	23,001	22,000	19,942
Durban Deep	5,649	16,756	*4,717
East Rand Pty.	3,741	*7,739	*6,140
Harmony	31,990	30,773	22,880

†State assistance overclaimed.
*After receipt of State assistance.

Exceptionally, the old South Roodepoort Main Reef Areas, managed by Golden Dumps, has reduced working costs in the March quarter. A sharp increase in gold production has accompanied a rise in grade—which fluctuates at this mine owing to the limited availability of stoping areas—and net profits for the quarter have jumped to R1.05m (£621,000) from R223,000 in the previous three months.

Lornex profit in first quarter

AN UNEXPECTEDLY sharp switch from losses to profit in the first quarter of this year is reported by the Rio Tinto-Zinc group's Canadian Lornex molybdenum and copper operation in British Columbia.

A modest net profit of C$93,000 (£48,000) for the past three months follows a net loss of C$4.6m in the final quarter of 1982 when the loss for the full year came out at C$11.1m.

Lornex says that the turnround reflects better prices for copper and silver plus lower operating costs. The benefits of this were partly offset by reduced copper production and lower prices for molybdenum.

No dividend is being declared in view of the relatively low level of earnings and the big investment being made in the Bullmoose metallurgical coal project in British Columbia which is still expected to be completed on time and within schedule.

● British Columbia's New Democratic Party is now wooing the mining industry, reports John Soganich from Toronto. In a newly issued Paper it rules out a return to the royalty-based tax system which, by taxing the value of mine production without regard to working costs, caused havoc in the industry when the NDP was in power in 1972-75.

In the run-up to the provincial election on May 5, the NDP says: "If investment is to be sustained stability of Government policy is essential. Therefore any changes in mineral legislation or in the mineral taxation system will be made with extensive consultation with the industry and such changes will not be retroactive."

"Reassuring," is the comment from Mr Tex Enemark, president of the Mining Association of British Columbia. He adds, however, that this sense of reassurance is tempered by memories of the mining indsutry's traumatic experience with the previous NDP administration.

Hamersley sees ore price fall

WHILE acknowledging that a slow economic recovery is starting Mr Tom Barlow, chairman of the Rio Tinto-Zinc group's big Hamersley Holdings iron ore producer in Western Australia, points out that so far the improvement in the U.S. steel industry is confined to re-stocking rather than a fundamental change in the depressed demand.

He expects that Hamersley's ore shipments this year will be about the same as in 1982.

Last year earnings were more than tripled to A$54.7m (£30.7m).

This year, however, Hamersley is facing a reduction in Japanese iron ore contract prices as a result of poor market conditions. So far, negotiations have produced no agreement on prices for Hamersley ore shipments scheduled for the year which started at the beginning of this month.

BIDS AND DEALS

Charter Cons. sells RTZ stake for £51m

By Kenneth Marston, Mining Editor

LONDON'S Charter Consolidated industrial and mining group has disposed of its entire 4 per cent holding in Rio Tinto-Zinc for £57m. In the market yesterday Charter sold 9.1m shares in RTZ at about 560p for £51m. This followed a sale of 1.1m RTZ shares made earlier this year.

Charter says that the net proceeds of the sales after provision for taxation will be not less than £38.6m. They will be used to reduce borrowings and finance new investment by companies of the Charter group.

The latest sale has come at a time when RTZ shares have been riding high following the sharp recovery in 1982 second half earnings, which exceeded all expectations.

Prior to yesterday's sale RTZ shares were standing at a high of 614p: they subsequently dropped to 580p and closed 16p down on the day at 592p. Charter closed 10p up at 265p.

Charter's dividend income in the year to March 31 from RTZ was a gross £2.33m. Against this, the group will now be able to further its policy of investing directly into mining and industry, as underlined by the recent bid for Anderson Strathclyde.

Back in early 1976, when Charter rated as a major holder of shares in other leading mining finance companies, it sold 10m shares of RTZ for £18.3m by a placing on the London market.

In 1980 Charter parted with its holding in Selection Trust as a result of the British Petroleum bid. Mining finance interests, though still substantial, are now largely in companies in the Anglo American Corporation group, notably Minerals and Resources Corporation.

In the first half of the current year to March 31 last Charter made net attributable profits of 16m, equal to 15.2p per sharef, compared with an adjusted £21m for the same period.

At that time, results for the second half of 1982-83 were expected to be only a little behind those of the same period of the previous year.

Tilling chief begins sniping at BTR bid

Sir Patrick Meaney, chief executive of Thomas Tilling, yesterday used the occasion of the publication of the group's 1982 report and accounts to begin sniping at the "blatantly opportunistic" £607m bid from BTR.

Tilling will be adopting the usual course for a contest of this nature and the industrial holding company will not publish a formal defence until it has dissected BTR's offer document which will be despatched today.

Although Sir Patrick was not able to comment on reports that the group's substantial U.S. interests are being groomed for a New York quote, he was able to say that Tilling has received a number of expressions of interest—" as long as your arm" —for various group subsidiaries.

In the meantime, he was convinced that "we believe we can rely on future earnings to justify Thomas Tilling rather as it is, a perfectly logical and proper vehicle for growth in the 1980s."

CHUBB & SON SELLS FINE STAMPS

Chubb and Son has completed the sale of its subsidiary Fine Stamps of Luton. This company, which became part of the group in 1977 when Chubb acquired Gross Cash Registers, manufactures fine-blanked components used in a number of Chubb products.

The sale, for a total consideration of £262,000, to executive directors Brian Morgan and Michael Holley, follows Chubb's sale last summer of Safe Computing (another management buy-out but with outside interests also taking a stake).

The latest disposal confirms Chubb's policy of divesting itself of activities not directly connected with its mainstream security business.

New Kuwaiti cash offer for Atlanta

BY DAVID DODWELL

Morgan Credit, a Kuwaiti-backed consortium set up to mount a bid for Atlanta, Baltimore and Chicago Regional Investment Trust, yesterday outlined a new cash offer valuing Atlanta at £4.15m.

Atlanta, and a linked investment trust called West Coast and Texas Investment Trust, were the target in January this year of a planned take-over and unitisation by Arbuthnot Securities. This collapsed last week when an extraordinary meeting of Atlanta shareholders rejected the Arbuthnot approach.

The 138.6p bid, understood to represent 97 per cent of Atlanta's net asset value, triggered a flurry of buying and selling in Atlanta's shares.

A spokesman for Morgan Credit said yesterday that the consortium had captured a 26.33 per cent stake. Further offers to sell, which would have lifted Morgan's stake in Atlanta to almost 47 per cent, had been received, he said. These could not be taken up without contravening takeover rules limiting purchases to 29.99 per cent.

The two trusts are currently managed by William & Glyn's Bank. Kleinwort Benson holds a 20 per cent stake in both. Arbuthnot built up stakes of around 13 per cent in each company in the course of the takeover approach.

Morgan Credit is understood to have bought stakes from English Association Trust and Confederated Life. English Association Trust simultaneously announced that on selling its 13.33 per cent stake in Atlanta, it had bought a 13.16 per cent stake in the sister company from Arbuthnot Latham. This took its total holding in West Coast Texas to 26.5 per cent.

Morgan Credit has been put together by Mr Tony Cole, managing director of Morrison Stoneham Investment Management, the investment arm of a firm of London-based chartered accountants. It comprises Mr Bader Rodan, Dr Yassef Al Sabah, and Exchange Finance House of Kuwait.

If the consortium is successful in taking control of the company, it plans to retain just 20 per cent of the company's shares, selling the remainder back into the market.

Its intention is understood to be to convert the trust into a short-dated two tier trust, and develop the company into related financial services. Company articles might have to be altered, though its status as an investment trust would not be changed, the spokesman said.

Lonrho produces its circulars for demerger

THE WAR of words between Lonrho and House of Fraser continued yesterday as Lonrho, Fraser's largest shareholder, produced its own circulars on why Harrods should be separated from the stores group.

Mr Roland "Tiny" Rowland, Lonrho's chief executive, and Lord Duncan-Sandys, chairman of Lonrho, in their capacity as directors of House of Fraser have told Fraser shareholders that "separating Harrods is the way to get House of Fraser together!"

The advantages to Fraser shareholders if Harrods is separated, say the two men in a circular is that

● Shareholders get a direct stake in Harrods and retain their shares in the other 102 stores. This gives increased investment flexibility.

● The right to Harrods' dividends.

● An increase in share prices is predicted.

● Reduced risk of a massive £160m capital expenditure programme showing poor returns.

● Shareholders would reap the full potential of Harrods—their star performer—which produces over half the profit.

● Shareholders would secure a realistic future for the rest of the group which would remain the largest department store group in the UK.

● The demerger could be carried out tax free.

Professor Roland Smith, Fraser's chairman, said the latest circulars from Mr Rowland were "glamorously superficial."

They were, he said, "intended to confuse shareholders" and were "full of selected quotes which are both misleading and confusing."

He also said that he and his board "deplore the unauthorised use of the letter heading of Fraser for the Lonrho circulars."

Lonrho countered last night "this circular is from two directors of House of Fraser. It would be unusual if they did not write on House of Fraser letter head. Naturally we had this matter cleared at the highest level in the Stock Exchange and they said it was perfectly all right provided that it said it was from Duncan-Sandys and Rowland and made it clear that this was a minority view."

ALFA FURNITURE

Alfa Furniture, based in Northumberland, has been refinanced as an independent business, with the co-operation of several organisations in the region, and in particular with the support of Blyth Valley Council.

Alfa was previously part of a large UK corporation which divested itself of the furniture business. It produces veneered bedroom furniture.

A large part of the finance has been provided by Blyth Valley, which has agreed to buy the premises occupied by Alfa. The factory has now been leased back to the company. Additional finance has been provided by Lloyds Bank.

JAGO WEBB

Langbourn Holdings, the parent company of Traill Attenborough Holdings and Lyon Lohr Holdings, has announced that Jago Webb has acquired a substantial interest in Lyon Lohr's subsidiary Lyon De Falbe (UK), Lloyds' brokers.

Mr David G. Jago has been appointed chairman, Mr Alan Traill has been appointed deputy chairman and Mr J. V. P. O'Connor and Mr B. R. Webb have been appointed joint managing directors.

BELLAIR WARNING ON SHARE PRICE

Fenton Hill Group reports that talks, which may lead to the sale of its controlling interest in Bellair Cosmetics are continuing.

However, the directors of Fenton and Bellair say they are disturbed by the very large rises in the Bellair share price and stress that the price level being discussed is considerably below the current share price of Bellair.

CONSORTIUM BIDS FOR RTD GROUP

A consortium has purchased 20.5 per cent of the votes exercisable in RTD Group, an Eire registered company with all its manufacturing and trading activities in England, and the same terms are being offered to other holders.

The consortium includes Mr Victor Burley and Mr Anthony Parmiter, managing director and finance director respectively of RTD Swan, the principal operating company.

The consortium has bought from Mr James Dyer, the chief executive of RTD, 100,000 ordinary shares at 16p each and 2m preference shares at 4p each. Other members of the consortium are certain individual investment clients of East Anglian Securities Trust, and two investment trusts specialising in quoted recovery situations.

It is intended to maintain the RTD listing. Proposals will be put to all shareholders for the conversion of the preference shares into ordinary.

It is hoped that Mr Burley and Mr Parmiter will join the board as joint managing directors, whereupon Mr Dyer will resign. They believe in the future of the company under their direction as an independent operation. While they are not in a position to make forecasts, they are hopeful of a return to profitability in the current year to February 1984.

UK COMPANY NEWS

Walter Lawrence 22% up at £2.24m

SECOND half taxable profits of £1.52m, compared with £1.18m, have lifted Walter Lawrence, construction, property development, manufacturing and engineering concern, to £2.24m for the year ended December 31 1982, against a previous £1.84m, a 22 per cent advance.

Mr John Redgrave, chairman, says that the group's construction and housing developments were again the main contributors to profits. This was achieved, he explains, despite losses in the specialised pipework and property development activities, both of which have since been closed.

Turnover for the 12 months expanded from £63.37m to £68.32m and the dividend is boosted to 9.3p (8.25p) net with a final distribution of 6.55p (5.75p). Earnings per 25p share are shown as 40.5p against 33.2p.

Mr Redgrave says there was a significant improvement in the group's manufacturing activities which returned an overall profit "for the first time in recent years." He adds that the considerable losses formerly incurred at Walter Lawrence Tools were substantially reduced, and directors decided to close the uneconomic DIY retail outlets.

There is a healthy order book on the construction side and the group's housing land bank has been increased to facilitate the expanding housing programme.

Liquidity has been improved by the reduction of hard core borrowings, and housing development finance has risen reflecting the group's increased investment in housing, the chairman points out.

Pre-tax figure for 1982 was after £110,000 (£90,000) for the employee profit sharing scheme. Tax charge (ACT) amounted to £204,000 (£178,000) and after extraordinary debits of £481,000 (£441,000) the available balance came through ahead from £1.22m to £1.55m.

The extraordinary items for the period represented the cost of closure of the commercial property development and civil engineering activities, together with certain retail shops and the cost of redundancies in Walter Lawrence Manufacturing.

After dividends' cost £476,000 (£414,000), the amount retained was £1.08m, compared with £805,000.

As at December 31 last, shareholders' funds had risen to £11.7m, equivalent to 233p per share.

● comment

Walter Lawrence's construction arm again provided most of the muscle behind results which sent the shares up 6p to a record 274p. Although the current construction order book is up in volume terms on 1982, margins are likely to tighten as contracts are replaced; particularly in the increasingly competitive first time buyers' market. The company is, therefore, shifting its emphasis from this area to the middle range, for it has no taste for chasing market share by cutting prices. It has closed the commercial property development division due to a continuing inability to let its two office and industrial developments in the City and Greenwich. The brightest spot in the figures is a small profit for the first time in three years by the manufacturing side—which lost £588,000 in 1981—on the back of improved production methods and a reduced workforce. A decline in capital spending by the gas and water boards provoked the closure of the pipework section. With hardcore borrowings down £250,000, reducing the total to around 53 per cent of shareholders' funds, the group is in an acquisitive mood—for perhaps a heating and ventilation or electrical engineering company to complement its housebuilding activities. Pre-tax profits of at least £2.5m look possible in the current year, giving a prospective p/e of more than 11.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Finals: Aberthaw Cement, Alva Investment Trust, Bank of Scotland, Combined English Stores, John Crowther, Cussins Property, Edinburgh Investment Trust, First Charlotte Assets Trust, Hambro Life Assurance, Harrison Cowley, Highland Electronics, Savoy Hotel, Stewart Nairn, Tate of Leeds, Tilbury, Toye, Websters.

FUTURE DATES

Interim—

Simpson (S.)	Apr. 29

Finals—

Black (A. and C.)	Apr. 20
Clive Discount	Apr. 28
Cole Group	Apr. 29
De Vere Hotels	Apr. 27
Futura Holdings	Apr. 23
Hyman (I. and J.)	Apr. 25
Lunuva (Ceylon)	Apr. 21
Miner Holdings	Apr. 20
Newmarket Co. (1981)	Apr. 22
Petrocon	Apr. 25
Pentland Industries	Apr. 28
Save and Prosper Linked Inv. Trust	May 6
Stewart Enterprise Investment	May 6
Supra	Apr. 21
Triplevest	Apr. 20
Tysons Contractors	May 9
Viking Resources	Apr. 25
Ward White	May 3

Twinlock tops £1m and pays 0.5p final

The improvement recorded in first-half profits of Twinlock has been maintained with pre-tax figures of this office products and furniture manufacturer rising sharply to £1.07m for the 12 months to February 27 1983, compared with £563,000 previously. Half-time profits were up from £103,000 to £426,000.

A final dividend of 0.5p has been recommended (not less than 0.4p had been forecast), making a total for the year of 0.9p net per 10p share—the first year since 1979 in which dividends have been paid. Earnings per share climbed from 1.53p to 3.43p.

Mr John Murray, the chairman of the company—whose shares are traded on the Unlisted Securities Market—says its UK businesses recovered strongly and did well throughout the year. The overseas companies, however, suffered reduced profits due to a fall in activity during the latter part of the year.

Full year sales improved from £29.1m to £31.45m, while after-tax profits came out at £755,000, against £372,000. Extraordinary debits decreased from £595,000 to £52,000 and the dividend absorbs £192,000. Retained surplus was £490,000 (£268,000 deficit).

C. D. Bramall profits slip to £1.95m

REDUCED margins and start-up costs of a new dealership at C. D. Bramall contributed to a decrease of 7.6 per cent in pre-tax profits from £2.11m to £1.95m for 1982. Turnover of this motor car dealer moved ahead from £43.56m to £52.97m.

The net final dividend of this close company has been held at 3.95p which repeats the total at 6p. Earnings per 25p share were shown as slipping from 25.1p to 21.5p.

The new Vauxhall-Bedford dealership in Sheffield has not made any worthwhile contribution to profits so far, says Mr D. C. A. Bramall, chairman. He is optimistic, however, that it will be trading satisfactorily shortly. The dealership opened in June with ensuing monthly losses until the end of the year.

Mr Bramall is also confident that the company as a whole is well placed to take advantage of a steadily increasing market and to provide a result for 1983 which can be considered "satisfactory."

There are signs of the passenger car market being higher than 1982, but it is still sales level of 1.66m cars is forecast by the company's manufacturers.

The commecial vehicle market is also estimated to be slightly higher than 1982, but it is still vey competitive with most manufacturers intoducing new models. However, Mr Bramall says the new year has started well with profits well up on the first quarter of 1982.

A breakdown of turnover and taxable profits by activity shows: main dealerships £46.83m (£39.26m) and £1.3m (£1.55m); contract high/leasing/hire purchase £6.14m (£4.29m) and £654,000 (£564,000).

Tax for the year came to £817,000 (£788,000) and after dividends absorbed £259,000 (£253,000) the retained balance dropped from £1.07m to £877,000.

During the year under review Mr Bramall says that the motor dealerships found making satisfactory profits from new vehicles sales was difficult because the new vehicle market became extremely competitive making net profit margins generally unacceptable. Since August 1982 the relaxation of hire purchase controls resulted in a far more buoyant retail market and the company experienced better profits from used vehicle operations.

Parts and service business again provided the foundation of the business and all dealerships performed satisfactorily. Profit from parts business was lower mainly due to extra profit being earned through reaching manufacturer's targets in 1981.

Most of the Ford dealerships did not make the same profits for the same reasons.

Contract hire, leasing and hire purchase companies all performed better and accounted for about one-third of group profits.

Mr Bramall expresses caution when considering the future course of the contract hire business. He says it is essential that the company continues to be selective in the acquisition of new business thereby ensuring that future profits are not dependent on inflation. Current steady growth in the number of companies turning to contract hire as a method of acquiring vehicles augurs well.

Tractor and agricultural business had its best year ever, mainly because of the Ford construction equipment franchise acquired during the year and which is making an increasing contribution. Mr Bramall anticipates another good year.

RESULTS AND ACCOUNTS IN BRIEF

NEW CAVENDISH ESTATES (property investment)—For six months to December 31 1982: Interim dividend nil (nil); turnover £286,640 (£321,580); pretax losses £83,392, profits £7,740; tax nil (nil); extraordinary credit £299,395 (nil) for net surplus on sale of investment properties; stated losses per share 2.29p (earnings 0.22p earnings adjusted).

RAGLAN PROPERTY TRUST—For half year ended September 30 1982 gross income £304,878 (£285,622). Profit £108,643 (£121,743) before tax £5,000 (nil). Earnings 0.25p (0.44p). No interim dividend but directors intend to pay a final—last dividend was paid on April 5 1974. Half year in line with directors' expectations. Project management income and profit from developments satisfactory, and outlook for full year remains good. Net assets have grown from £287,000 in 1980 to £2.38m.

WALTER DUNCAN AND GOODRICKE (investment holding company)—For 1982: Dividend 12p (same) per share; pretax profit £546,513 (£575,434); net profit available £484,667 (£354,521); stated earnings per share 28.27p (31.58p).

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

EUROPEAN OPTIONS EXCHANGE

Series		June Vol.	June Last	Sept. Vol.	Sept. Last	Dec. Vol.	Dec. Last	Stock
D/FL C	F.265	—	—	25	12.80 B	—	—	F.276.65
D/FL C	F.275	5	4.50 B	26	6.50 B	—	—	"
D/FL C	F.280	135	2.20	—	—	—	—	"
D/FL C	F.285	5	1	—	—	—	—	"
D/FL P	F.260	2	0.50	—	—	—	—	"
D/FL P	F.265	5	2.10	28	5	4	8.80	"
D/FL P	F.270	100	3	5	8.50	—	—	"
D/FL P	F.275	1	4.50	5	10.50	—	—	"
SILV C	$10	5	3.10	—	—	13	4.20 B	$12.35
SILV C	$11	9	2.40	11	3	2	3.20	"
SILV C	$12	21	1.80	35	2.50	5	3.10	"
SILV P	$10	—	—	2	06.0	1	1.10	"
SILV P	$11	—	—	6	0.80	—	—	"
SILV P	$12	—	—	40	1.40	—	—	"
		May		Aug.		Nov.		
GOLD C	$400	4	50	2	60	1	78	$443.50
GOLD C	$425	11	27	52	47	1	61	"
GOLD C	$450	40	12.50	21	29	1	44	"
GOLD C	$475	28	6	24	21	16	33.50 A	"
GOLD C	$500	10	4	15	12.50 A	—	—	"
GOLD C	$550	214	1.10	—	—	30	13	"
GOLD P	$400	2	1.50	5	6	8	13	"
GOLD P	$425	235	6	1	14	3	18 B	"
GOLD P	$450	108	16	75	22	59	25	"
GOLD P	$475	4	32.50 B	3	37	—	—	"
12¾ NL 81 87-91								
C	F.130	—	—	55	2.20	46	3.30	F.131.30
C	F.135	105	0.30	610	0.60	20	1.10	"
P	F.127.50	—	—	28	1.10	—	—	"
P	F.130	70	1	37	2	5	3.20	"
P	F.135	6	4	—	—	—	—	"
P	F.140	—	—	—	—	100	11	"
11¼ NL 82 88-92								
C	F.105	5	9.80	—	—	—	—	F.115.10
C	F.115	—	—	400	1.50	—	—	"
P	F.112.50	—	—	400	1	—	—	"
10 NL 82-11 86-89								
C	F.107.50	2	1.60	—	—	—	—	F.109.40
C	F.110	10	0.20	—	—	—	—	"
7¾ NL 82 89-93								
C	F.97.50	—	—	40	1.90	—	—	F.98.70
C	F.100	20	0.30	1188	0.80	—	—	"
P	F.97.50	—	—	40	1.10	—	—	"
7½ NL 83 87-90								
C	F.97.50	60	1.20	20	1.80	—	—	F.98.40
P	F.97.50	—	—	30	1.10	—	—	"
		July		Oct.		Jan.		
AKZO C	F.50	—	—	70	11.50	—	—	F.61.30
AKZO C	F.55	382	8.30	—	—	—	—	"
AKZO C	F.60	294	5.20	84	6.30	—	—	"
AKZO C	F.65	390	3	—	—	—	—	"
AKZO P	F.55	1094	2	—	—	—	—	"
AKZO P	F.60	66	4	—	—	—	—	"
AMRO C	F.50	—	—	121	16	—	—	F.63.50
AMRO C	F.60	—	—	112	7.80	—	—	"
AMRO P	F.50	250	0.50 B	—	—	—	—	"
GIST C	F.160	180	8	—	—	—	—	F.148.50
GIST P	F.150	218	9	—	—	—	—	"
HEIN C	F.130	118	16.50	—	—	—	—	F.143
HEIN C	F.140	70	9.80	208	11	—	—	"
HEIN C	F.150	87	6	—	—	—	—	"
KLM C	F.160	94	8.50	—	—	—	—	F.153.10
KLM C	F.170	136	4.70	—	—	—	—	"
NEDL C	F.110	169	1.90	72	2.10	—	—	F.94
NEDL P	F.80	88	2.30	—	—	—	—	"
NEDL P	F.90	105	7	—	—	—	—	"
NATN C	F.150	—	—	204	11	—	—	F.154.30
PHIL C	F.32.50	—	—	191	15.70	—	—	F.48
PHIL C	F.35	69	13.30	—	—	—	—	"
PHIL C	F.40	316	8.30	—	—	—	—	"
PHIL C	F.45	551	5.30	325	6.60	116	8.10	"
PHIL C	F.50	1133	3.40	621	4.90	234	6.80	"
PHIL P	F.40	233	0.70	—	—	—	—	"
PHIL P	F.45	301	2.10	—	—	—	—	"
PHIL P	F.50	119	5	—	—	—	—	"
RD C	F.100	85	17.20	—	—	—	—	F.117
RD C	F.110	302	9.50	108	10.20	—	—	"
RD C	F.120	434	5	126	6.40	245	8.80	"
UNIL C	F.220	30	11.50A	104	14	—	—	F.221.60

TOTAL VOLUME IN CONTRACTS 17,536

A=Asked B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option	Calls April	Calls July	Calls Oct.	Puts April	Puts July	Puts Oct.
Brit. Petroleum (*388)						
260	108	—	—	1	—	—
280	88	100	108	1½	2	5
300	58	70	80	2	6	9
330	28	42	54	2	11	16
360	—	26	34	—	20	26
Cons. Goldfields (*900)						
420	160	165	—	1½	3	—
460	110	115	124	3	6	12
500	70	80	87	1½	12	22
550	18	43	57	10	25	37
600	3	22	35	—	57	—
Courtaulds (*95)						
70	26	28	30	1	1½	2
80	16	18	20	1	2½	3
90	6	11	12	1	4	5
100	1	5	8	6	9	10
Commercial Union (148)						
120	28	31	35	1	1½	2
130	18	22	25	1	3	4
140	9	16	18	1½	7	9
160	1	6½	10	15	17	20
G.E.C. (*230)						
180	51	58	64	1	2	4
197	34	—	—	1	—	—
200	—	38	46	—	5	10
217	14	—	—	1	—	—
220	—	24	32	—	9	17
237	2	—	—	10	—	—
240	—	10	16	—	22	27
260	1	5	—	32	34	—
Grand Met. (*347)						
260	88	—	—	1	—	—
280	68	74	—	1	3	—
300	48	56	61	2	4	5
330	18	31	38	2	8	12
360	2	17	22	15	22	25
390	1	6	12	—	45	46
I.C.I. (*434)						
300	136	144	—	1	—	—
330	106	114	—	1	2	—
360	76	84	92	1	4	5
390	46	54	64	1	7	10
420	16	34	38	2	16	22
Land Securities (329)						
260	71	77	83	1	2	—
280	51	58	64	2	4	8
300	32	38	45	2	6	11
330	5	17	25	5	17	20
Marks & Spencer (217)						
180	38	44	50	1	3	5
200	18	27	34	1	6	9
220	2	14	18	5	15	19
240	1	6	—	25	28	—
Shell Transport (510)						
420	92	100	106	1	3	7
460	52	60	68	1½	8	14
500	12	32	44	6	22	26
550	—	18	26	—	56	60

* Underlying security price.

Option	Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
Barclays Bank (*480)						
360	128	135	—	1	2	—
390	95	105	—	2	2	—
420	65	75	92	2	6	12
460	25	37	55	8	18	28
500	8	20	32	25	32	43
Imperial Group (*115)						
90	27	—	—	1	—	—
100	18	—	—	1½	—	—
110	10	15	18	3	5	7
120	3½	8	10	7	10	12
130	1½	4	5½	16	17	18
LASMO (*305)						
210	100	105	115	2	3	4
230	80	85	93	2	6	7
250	60	68	75	2	9	15
270	43	52	60	8	14	18
280	24	40	—	16	22	—
300	—	—	40	—	—	32
320	10	22	—	—	35	—
350	2	—	—	—	—	—
380	1	—	—	—	—	—
Lonrho (*88)						
80	11	14	16	2	3½	5½
90	4½	7½	8½	4	7	10
100	1	3½	4½	13	16	18
P. & O. (*148)						
100	51	51	—	0¼	1	—
110	41	41	—	0½	2	—
120	31	31	32	1	2	4
130	21	23	25	1½	4	6
140	12½	16	19	3	8	13
160	4	8	12	13	20	23
Racal (*491)						
420	72	80	93	2	6	12
460	37	50	62	7	17	24
500	13	26	40	24	34	37
550	3	10	—	65	67	—
600	1	2	—	115	115	—
650	1	—	—	165	—	—
R.T.Z. (*594)						
420	175	177	—	0½	—	—
460	135	137	—	0½	5	—
500	95	97	115	2	9	17
550	45	68	77	7	22	27
600	20	37	47	25	37	47
Vaal Reefs (*$117)						
80	—	—	—	1	—	—
90	28½	31½	33½	1	2½	4½
100	19	23	25	1½	5	8½
110	11	16½	19½	4	8	12½
120	6	11½	14½	9	12½	17
130	3	8½	11	16½	—	22½
140	1¼	6	7½	—	—	—

Option	Calls June	Calls Sept.	Calls Dec.	Puts June	Puts Sept.	Puts Dec.
Beecham (*410)						
360	55	65	75	4	6	9
390	35	48	53	10	17	22
420	17	28	35	20	32	35
Guest Keen (*157)						
160	11	17	23	9	12	13
180	3	7	14	25	28	30

Apr. 18 Total Contracts 4,174 Calls 3,490 Puts 684

INSURANCE & OVERSEAS MANAGED FUNDS

Barclays Life Assur. Co. Ltd.—Contd.

Income Accum.	109.4	115.2	+0.2	—
Do. Initial	107.9	113.6	+0.2	—
Man. Pens. Accum.	232.7	244.9		—
Do. Initial	195.7	206.1		—
Gilt-Edg. Pens. Accum.	201.5	212.0		—
Do. Initial	164.8	173.7		—
Money Pens. Accum.	177.9	187.3		—
Do. Initial	146.0	153.7		—

Black Horse Life Ass. Co. Ltd.
71, Lombard St., EC3. 01-623 1288

Black Horse Man. Fd.		178.35		—
Managed Inv. Fd.	150.77	158.71		—
Property Fd.	146.36	154.05		—
Fixed Interest Fd.	138.16	145.43		—
Cash Fd.	132.37	139.34		—
Income Fd.	153.14	161.20		—
Extra Income Fd.	146.91	154.64		—
Worldwide Growth Fd.	214.83	226.14		—
Balanced Fd.	159.65	168.06		—
Smlr Co's & Recy. Fd.	197.35	207.74		—
Int. Technology Fd.	238.16	251.75		—
Nth. Amer. & Gen. Fd.	160.34	168.78		—
Energy Int. Fd.	91.12	95.92		—
Pacific Basin Fund	123.93	130.45		—

British National Life Assurance Co. Ltd.
Harlands Rd, Haywards Heath. 0444 414111

Equity	98.2	103.4		—
International	112.5	118.4		—
Property	106.6	111.6		—
Deposit	96.6	101.7		—
Fixed Interest	95.9	100.9		—
Managed	103.4	108.8		—
Equity Pens Cap.	98.0	103.2		—
Intl. Pens. Cap.	116.0	122.1		—
Property Pens Cap.	107.9	113.6		—
Deposit Pens Cap.	95.9	101.0		—
Fixed Int Pens Cap.	95.0	100.0		—
Managed Pens Cap.	104.3	109.8		—

Canada Life Group
2-6, High St., Potters Bar, Herts. P. Bar 51122

Equity Gth March 1		85.2		—
Retd. Fed April 6		194.2		—
Managed Pen Fund	177.2	186.5		—
Property Pen Fund	130.1	135.9		—
Index Lnkd Pen Fund	120.6	127.0		—

Robert Fleming & Co. Ltd.
See Correction Page Mon-Fri and Stock Exchange Dealings Page Sat

G.T. Management Ltd.
3b Finsbury Circus, Lond. EC2M 7DJ. 01-628 8131

G.T. Plan Bond Fund	120.6	127.0	-1.4	—
GT Pln High Yld Fnd	113.9	119.9		—
GT Plan Far East Fnd	97.9	103.1		—
GT Pln N Am Fund	146.5	154.2		—
GT Pln UK&G E. Fnd	130.7	137.6		—
GT Pln Wrldwde Fnd	127.8	134.6		—
GT Pens.Gr. Bnd Fnd	128.7	135.5	-1.4	—
GT Pen High Yld Fd	128.5	135.3		—
GT Pen Far East Fd	122.5	128.9		—
GT Pen N. Am. Fd	200.9	211.5		—
GT Pen UK & G.E. Fd	147.9	155.7	-0.2	—
GT Pen Worldwide Fd	135.9	143.1		—

Assicurazioni GENERALI S.p.A.
117, Fenchurch St., EC3M 5DY. 01-488 0733
Intl Managed Bond [261.30 | 307.98 | | —]

General Portfolio Life Ins. C. Ltd.
Crossbrook St., Cheshunt, Herts. Waltham X 31971

Portfolio Fd. Acc.		276.6		—
Portfolio Fd. Int.		199.5		—
Portfolio Fd. Cap.		208.1		—
Investment A/cs	294.5	309.0		—

Growth & Sec. Life Ass. Soc. Ltd.
46, London Fruit Exchange, E1 6EP. 01-377 1122

Flexible Finance		1,413		—
Landbank Secs.		94.7		—
Landbank Scs. Acc.	122.0	126.8		—
G. & S. Super Fd.		£10.639		—

Guardian Royal Exchange
Royal Exchange, E.C.3. 01-283 7101

Guardian Assurance Property Bonds	299.2	311.6		—
Managed Initial	[illegible]	211.4	+1.5	—
Do. Accum.	[illegible]	232.1	+1.7	—
Equity Initial	[illegible]	267.5	+0.4	—
Do. Accum.	[illegible]	283.4	+0.4	—

OFFSHORE AND OVERSEAS

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields [illegible]% (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ø Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡ Only available to charitable bodies. § Yield column shows annualised rate of NAV increase.

INTERNATIONAL CAPITAL MARKETS

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which is published monthly. The following are closing prices for April 18.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex O/S Fin 10¼ 90	100	97¾	98⅛	-0½	-2	10.67
Amro Bank 13 89	200	107⅜	107⅞	-0⅛	+1⅝	11.25
Bank of Tokyo Hold 11 90	100	99½	99⅝	—	—	11.13
British Col Hyd 10¼ 88	200	98⅞	99⅜	0	+0⅝	10.48
British Col Hyd 15¼ 92	150	118⅜	118⅞	-0⅛	+0¾	11.80
Canada 14⅜ 87	750	111⅞	112⅜	0	-0⅞	10.59
Canadair Ltd 12½ 89	175	106¼	106⅞	-0⅛	-0⅞	11.02
Canadian Wheat 11⅛ 90	50	101¼	101¾	-0⅝	+0⅞	10.92
Can Pac Sec 15 88	75	109⅞	110⅝	-0⅛	-0¼	12.54
Coca Cola Int 9⅞ 92	100	25⅛	25⅞	0	-0⅛	10.62
Coca Cola Int 11¾ 89	100	105	105½	-0⅛	-0¼	10.55
Credit Suisse BHA 10½ 90	150	100¼	100⅝	-0⅜	0	10.38
Credit Suisse 10½ 89	100	102½	102⅝	-0⅛	+1⅛	9.97
Deutsche Bk Fin 14¼ 89	300	112⅜	112⅞	0	-0¼	11.31
Du Pont 11¼ 95	150	102¾	103¼	+0⅛	-0¾	10.77
Du Pont 14⅛ 89 WW	200	108⅝	109⅛	-0½	-0¾	12.01
E.D.C. 10¾ 88	100	100½	101	-0⅛	0	10.51
E.D.F. 12¾ 87	150	104	104½	+0⅛	+0⅞	11.44
E.E.C. 10¾ 95	75	96⅝	97⅛	-0⅛	-0⅛	11.23
E.E.C. 11½ 95	200	99¾	100¼	-0⅜	+0⅞	11.48
E.I.B. 11 91	125	98¼	99¾	0	-0½	11.09
E.I.B. 15½ 92	100	114⅜	114⅞	-0⅛	+0⅝	12.69
Exp Dev Corp 11¾ 87	100	103¼	103¾	-0¼	+0½	10.69
Forsmarks 13¾ 92	75	107½	108	-0⅛	+1⅛	12.28
Gaz de France 12¼ 93	175	21⅞	21⅜	-0⅜	+1	11.98
Gen Elec Credit 9¾ 91	100	15⅛	15⅝	-0⅛	+0⅛	10.60
Gen Elec Credit 12 89	100	107⅛	107⅝	0	-0¼	10.35
GMAC O/S Fin 10½ 90	200	99⅞	99⅝	+0⅛	-0⅞	10.61

U.S. DOLLAR STRAIGHTS (cont.)	Issued	Bid	Offer	Change on day	Change on week	Yield
World Bank 10⅞ 88	150	99¼	99¾	+0⅛	+0½	10.61
World Bank 10⅞ 93	100	99½	100	0	+0⅝	10.91
World Bank 11⅞ 98	100	99¾	100	+0⅜	+0⅞	11.14

Av. price changes: on day 0 on week +⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 8¼ 92	80	100¾	101¼	0	0	8.08
Australia 6⅞ 93	200	99½	99⅝	-0¼	+0½	6.96
Australia 7¾ 92	200	104½	105	0	-0⅛	7.04
Bank of Tokyo 7¼ 90	100	99⅜	100⅛	-0⅛	0	7.22
Bayer Capital 7⅝ 89	150	104⅞	105⅜	0	0	6.63
Caisse Nat Energie 8 93	100	100	100½	-0⅛	-0⅛	7.95
Caisse Nat Tele 7¾ 93	200	99⅝	99⅞	+0½	+0⅛	7.91
E.C.S.C. 7½ 93	150	99¼	99¾	-0⅛	0	7.57
E.E.C. 7¾ 95	200	100	100½	0	0	7.71
E.E.C. 8 94	200	100⅞	101⅜	0	-0½	7.84
Eurofima 7½ 91	100	101⅝	102⅛	-0⅛	-0¼	7.17
Ferrovie Dello 8¾ 88	150	102½	103	0	+0½	8.04
Gould Int Fin 8¼ 88	75	103⅜	103⅞	0	+0⅛	7.52
H.J. Heinz Int 6⅞ 88	50	100⅛	100⅝	0	+0⅛	6.65
Int-Am Dev Bk 8¼ 93	150	101⅛	101⅝	0	-0⅛	8.03
Ireland 8½ 90	150	101½	102	0	+0⅛	8.15
Ireland 8⅞ 91	150	102	102½	-0¼	-0⅛	8.45
ITT Antilles 7 93	200	98⅛	98⅝	+0⅛	0	7.23

$70m convertible bond for Japanese ball bearing group

BY MARY ANN SIEGHART IN LONDON

NIPPON MINIATURE Bearings, the Japanese ball bearing manufacturer, will be tapping the Eurodollar bond market today through a convertible bond. The issue is expected to raise $70m with a coupon of around 5¾ per cent. The 15-year bond is being led by Nomura Securities.

Two smaller issues were launched on the Eurodollar bond market yesterday. Berliner Handels- und Frankfurter Bank (BHF) is raising $24.5m through a seven-year, 7½ per cent convertible bond, priced at par. Each bond will carry two warrants to buy nine shares of the bank at a price of DM 271 per share. Yesterday, the shares were being quoted at DM 278.5. BHF itself is the sole lead manager and the bonds were being sold at par in the grey market.

The other convertible of the day came from Intershop Overseas Finance, which is raising between $20m and $25m (depending on exchange rates) through a 10-year bond. Led by UBS, it has an indicated coupon of 6.6¾ per cent.

Each bond will be convertible into 10 bearer shares at a premium of about 5 per cent. It was selling in the pre-market at a discount of about ¼ point.

British Oxygen is raising £50m through an 11¾ per cent, eight-year Eurosterling bond, priced at par and led by Lloyds Bank International. Yesterday, it was trading at a discount of around 1¾ per cent, outside the 1¼ point selling concession.

The African Development Bank is tapping the Austrian domestic market for Sch 400m in its first bond venture. The eight-year bond carries a coupon of 8¾ per cent at a price of par and the lead manager is Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft.

The German bond market was quiet yesterday, with most investor interest being focused on the equity market. Prices closed more or less unchanged.

There was very little activity in Switzerland due to a bank holiday in Zurich.

Costa Rica pays arrears

BY OUR EUROMARKETS STAFF

COSTA RICA is paying off some of its interest arrears on a SwFr 20m bond issue in an attempt to stave off default proceedings. Last week, it paid SwFr 1.16m to investors, which was the interest due to April 1982.

Dow Banking Corporation has sued the Costa Rica central bank on behalf of a client who holds SwFr 5.5m of the bonds. A local Geneva court rejected the bank's plea to have the country declared in default, but the case is now being considered by the cantonal appeal tribunal.

Costa Rica still owes about SwFr 1.4m in interest payments, and it is paying monthly instalments to its lead manager, Banque Gutzwiller, Kurz, Bungener, towards further interest payments.

LONDON RECENT ISSUES

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BOROUGH COUNCIL
VARIABLE RATE
REDEEMABLE STOCK 1983

LEGAL NOTICES

THE COMPANIES ACT 1981

ART GALLERIES

CLUBS

FINANCIAL TIMES

PUBLISHED IN LONDON & FRANKFURT

INTERNATIONAL & BRITISH EDITORIAL & ADVERTISEMENT OFFICES

Tin prices dip sharply as buffer support withdrawn, Page 33

SECTION III CONTENTS

SECTION III – INTERNATIONAL MARKETS
FINANCIAL TIMES
Tuesday April 19 1983

WALL STREET

Results are adjudged reassuring

THE week opened in a less dramatic mood on Wall Street, but both share and credit markets appeared happy yesterday to trade around the peak levels reached at the end of last week. The debt market remained confident that interest rates will fall at the longer end of the market as inflation continues to come to heel, *writes Terry Byland in New York.*

Share markets were more cautious and began to run into some profit-takers at mid session, despite a further batch of encouraging trading statements from major companies.

But by 3pm, the Dow Jones industrial average had recovered for a gain of 7.16 at 1178.50.

In the computer sector, regarded as the chief impetus behind the upturn in U.S. business, NCR surged ahead by $2¼ to $114¾ in response to higher earnings for the first quarter and a bullish statement from the chairman. IBM added a further $¾ to $110¾ while Burroughs, traded a shade off at $44⅞.

Other major corporations to report progress included B.F. Goodrich, the tyre manufacturer, $⅝ off at $37⅞, with an encouraging report from the chairman failing to offset a markdown prompted by its loss in the first quarter.

Monsanto, the chemicals giant, remained unchanged at $91½ with the news of lower profits no surprise to the market. Upjohn, the ethical drug group, slipped by $⅝ to $53 despite the recovery trend.

Higher earnings at GTE, the largest independent manufacturer of telephone equipment and systems, put the shares up $⅝ at $43⅞, but Champion International, at $25½ and Sundstand at $48 were both a shade easier after their respective results.

Of the banking majors, Chase Manhattan disappointed with lower profits against the trend, and its shares fell by $⅞ to $57⅞. Security Pacific held unchanged at $54 after disclosing increased earnings.

Motor shares gave up part of last week's gains following reports that although earnings would show a sharp rise in the first quarter, sales were not achieving the upturn so badly needed by Detroit.

Ford held steady at $43⅞, but General Motors shed $¾ to $63¼ and Chrysler turned down by $½ point to $20½.

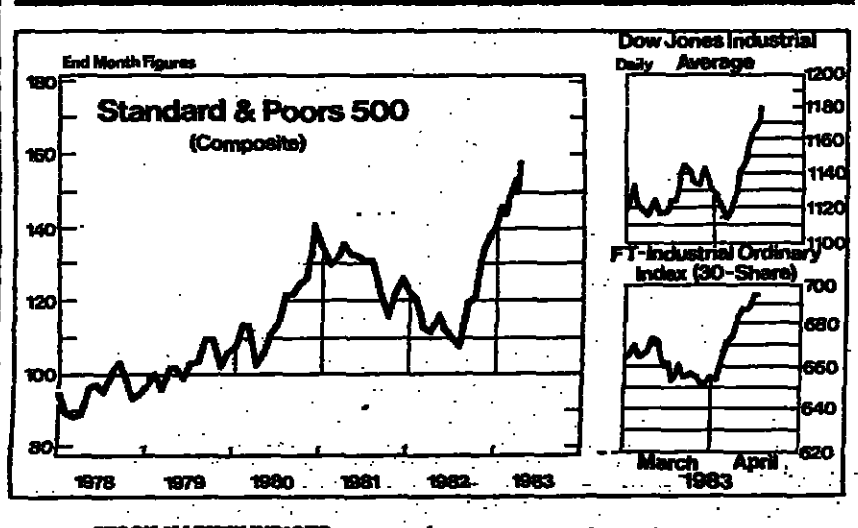
American Cynamid lost $¼ to $41¼ on its lower profits, while United Technologies put on $⅝ to $72⅞ after announcing higher earnings.

Credit market yields resumed their fall in anticipation of an easing of Federal Reserve handling of credit supply and a fall in the Federal Funds rate to 8½ per cent, matching the discount rate, Treasury bond yields gave up about five basis points with the three-month bills at a discount rate of 8.08 per cent and the six-month bills at 8.20 per cent.

The benchmark long bond slipped to 99 19/32 from Friday's late quotation of 100¼.

Underpinned by a strong gold price, Toronto stocks made good headway. Half-point prime rate cuts to 11 per cent were an added incentive to buyers, but in Montreal the banking sector itself was weak, as were utilities. Industrials showed muted gains.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Apr 18	Previous	Year ago
NEW YORK			
DJ Industrials	1178.50	1171.25	843.42
DJ Transport	529.54	529.24	346.57
DJ Utilities	128.38	126.06	112.27
S&P Composite	158.51*	158.75	116.81
LONDON			
FT Ind Ord	695.0	695.5	558.1
FT-A All-share	441.52	435.70	317.21
FT-A 500	480.55	473.96	342.04
FT-A Ind	443.53	438.75	310.40
FT Gold mines	657.9	651.8	255.5
FT Govt secs	82.19	82.09	67.05
TOKYO			
Nikkei-Dow	8582.53	8552.16	7129.69
Tokyo SE	621.81	619.39	523.96
AUSTRALIA			
All Ord.	574.2	566.2	477.3
Metals & Mins.	530.6	523.1	343.7
AUSTRIA			
Credit Aktien	54.37	54.03	52.23
BELGIUM			
Belgian SE	122.8	122.10	99.55
CANADA			
Toronto Composite	2275.5*	2264.1	1613.07
Montreal Industrials	385.55*	383.43	288.80
Combined	379.21*	376.25	274.28
DENMARK			
Copenhagen SE	138.53	138.98	94.82
FRANCE			
CAC Gen	121.0	120.20	105.4
Ind. Tendance	126.5	126.20	118.2
WEST GERMANY			
FAZ-Aktien	310.73	307.75	234.91
Commerzbank	931.4	922.0	716.4
HONG KONG			
Hang Seng	1040.97	1067.14	1182.48
ITALY			
Banca Comm.	190.84	201.87	191.88
NETHERLANDS			
ANP-CBS Gen	129.8	129.5	90.9
ANP-CBS Ind	108.2	108.1	70.6
NORWAY			
Oslo SE	163.51	163.02	89.89
SINGAPORE			
Straits Times	899.27	892.61	743.67
SOUTH AFRICA			
Golds	924.7	904.5	454.0
Industrials	889.4	876.6	590.9
SPAIN			
Madrid SE	closed	113.73	123.97
SWEDEN			
J & P	1315.82	1307.26	561.04
SWITZERLAND			
Swiss Bank Ind	317.9	316.2	260.3
WORLD	Apr 18	Prev	Yr ago
Capital Int'l	172.9	171.9	132.6

GOLD (per ounce)

	April 18	Prev
London	$441.50	$435.50
Frankfurt	$443.50	n/a
Zürich	$442.50	n/a
Paris (fixing)	$443.93	$436.43
New York (April)	$445.00	$437.40

* Indicates latest pre-close figure

CURRENCIES

	U.S. DOLLAR Apr 18	Previous	STERLING Apr 18	Previous
£	1.5615	1.5470	—	—
DM	2.4595	2.4365	3.8375	3.7775
Yen	237.85	237.60	371.75	368
FFr	7.3725	7.3125	11.51	11.3150
SwFr	2.0580	2.0425	3.2150	3.1650
Guilder	2.7710	2.74625	4.33	4.2575
Lira	1461.75	1452.375	2282.50	2247
BFr	48.92	48.64	76.40	75.30
C$	1.23675	1.23285	1.9305	1.9085

INTEREST RATES

	April 18	Prev
Euro-currencies (three month offered rate)		
£	10 5/16	10 5/16
SwFr	4⅜	4¾
DM	5	5 1/16
FFr	13⅝	13¾
FT London Interbank fixing (offered rate)		
3-month U.S.$	9⅜	9¼
6-month U.S.$	9½	9⅜
U.S. Fed Funds	8⅝*	8⅝
U.S. 3-month CDs	8.75*	8.85
U.S. 3-month T-bills	8.06*	8.10

U.S. Treasury Bonds

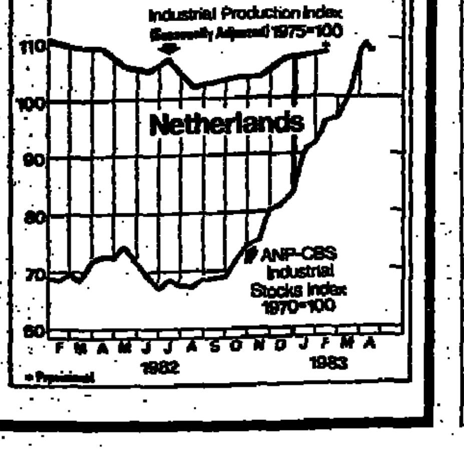
	April 18 Price	Yield	Prev Price	Yield
9¾ 1985	100 11/32*	9.41*	100 14/32	9.40
10¼ 1990	101 15/32*	10.18*	101 19/32	10.11
10⅜ 1993	103 25/32*	10.28*	103	10.22
10⅜ 2012	99 19/32*	10.34*	100 4/32	10.29

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
June	78-14	78-22	78-10	78-13
U.S. Treasury Bills (IMM) $1m points of 100%				
June	91.93	91.96	91.90	91.89
Cert Deposit (IMM) $1m points of 100%				
June	91.26	91.30	91.24	91.22
LONDON				
Three-month Eurodollar $1m points of 100%				
June	91.01	90.97	91.05	90.94
20-year Notional Gilt £50,000 32nds of 100%				
June	106-08	106-12	106-02	106-00

LONDON COMMODITY MARKETS

	April 18	Prev
Silver (spot fixing)	789.15p	761.85p
Copper (cash)	£1071.00	£1080.00
Coffee (May)	£1773.50	£1811.00
Oil (spot Arabian light)	$28.72	$28.72



EUROPE

Vigour of the dollar a dampener

A VIGOROUS dollar, rising to a 10-week high against the D-Mark and an all-time peak against the French franc, had its usual subduing effect on the bourses yesterday. Although stocks favoured with buying support were often of the tried and trusted variety, by no means all blue chips were maintained at last week's high levels.

This selectivity was much in evidence in **Frankfurt**, despite a 9.4 rise in the Commerzbank index of 60 leaders to a 22-year high of 931.4 and a 2.98 gain in its 100-share FAZ counterpart to an unsurpassed 310.73. Both are calculated at mid-session, and some selling developed in the afternoon.

But Siemens overcame resistance at DM 340 to close DM 4.50 higher at DM 342.50, and other electricals followed.

In cars, Daimler-Benz gained DM 7.50 to DM 534, and BMW DM 7 to DM 337, but Volkswagen slipped 80 pfg to DM 175.70 after lifting domestic prices. Tyre maker Conti Gummi added DM 1 to DM 91.80 after DM 93.30.

The differentiation was also clear in chemicals, where Hoechst fell DM 1.20 to DM 147 while BASF rose DM 1.10 to DM 138.70.

Firm Dutch money market rates dampened **Amsterdam**, where KLM led the internationals with a Fl 3.60 gain to Fl 153.10, but Hoogovens shed Fl 1.20 to Fl 22.2.

Publisher Elsevier surged Fl 16 to Fl 325, but many industrials were weaker. Government bonds edged up ahead of terms today for a new eight-year issue.

A rise in French call money from 12½ to 12¾ per cent had a similar effect in **Paris**, although Elf-Aquitaine jumped FFr 9 to FFr 154 on an upward revision of 1982 profits. Other oils were mixed. Banks and hotels moved higher but cars, stores and chemicals eased.

Electricals were the strength of **Brussels**, with Electrobel BFr 110 ahead at BFr 5,860 and Tractionel up BFr 35 at BFr 3,410. Utilities and holding companies were mostly strong but steels and chemicals irregular.

An active **Milan** session left prices lower across the board, adding to Friday's setback despite the start of a new trading month. Of the financials Generali slid L4,300 to L124,900 and Toro L350 to L12,000, but Banca Commerciale managed a L600 rise to L30,000.

Late profit-taking pared **Stockholm** gains, although foreign demand lifted Ericsson SKr 10 to SKr 418. **Copenhagen** was also prone to selling after recent buoyancy, and ISS fell DKr 17.60 to DKr 457.

Zurich was closed for a local holiday, and the consequent added interest in Basle took prices there actively upward. Nestlé did well on its dividend increase.

AUSTRALIA

Rise continues

THE RISE in Sydney share values continued afresh after slowing slightly on Friday as the implications of the national economic accord were evaluated, weighing industrial harmony against probable dividend curbs.

Industrials did best but mining issues were also well supported, together providing an eight-point rise for the All Ordinaries index to 574.2.

Hooker Corporation jumped 16 cents to A$1.36 on 300,000 shares as the death of Sir Keith Campbell, its chairman, suggested that it might be ripe for takeover.

Overseas interest gave **Melbourne** advances a four-to-one lead over declines.

SOUTH AFRICA

Gains trimmed

A BULLION price again above $440 brought strength to **Johannesburg** golds, where gains ranged to R3.50 for Randfontein at R176, but afternoon profit-taking was in evidence.

In mining financials JCI ("Johnnies") added R8 to R146 ahead of quarterlies today, while industrial gains outnumbered losses by almost five to one.

LONDON

Drive stalls in front of the barrier

A PROMISING drive by London equity markets to break through the psychological 700 barrier stalled yesterday and the FT Industrial Ordinary share index ended the session 0.5 lower at 695.0. The opening strength reflected dealers' optimism about the current equity boom continuing after more encouraging views – including that of Mrs Margaret Thatcher, the Prime Minister, on world economic prospects.

The latest in industrial production figures and favourable money supply trends in the U.S. coupled with revived hopes of lower prime lending rates and reassuring remarks on the outlook for world oil prices, completed a very cheerful scenario.

London investors, however, would not be rushed into committing funds. Leading shares began soon to drift back and some operators realised profits established in last week's good advance.

But the volume of selling was extremely light and markets began searching for explanations for the dearth of investment funds.

Blue chip and other top-quality equities started to rally in the wake of exceptional strength in BP, finally 18p up at 388p. Glaxo was another index highlight, rising 35p more to 950p on renewed domestic and U.S. demand, but remaining constituents showed small mixed changes with the exception of Hawker Siddeley which, awaiting tomorrow's preliminary statement, became nervous and fell 10p to 378p.

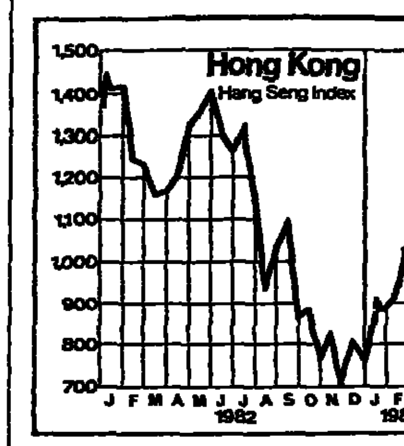
Last week's star performer in mining market, Rio Tinto-Zinc, surged to a year's best of 614p on sizeable investment support before slumping to 580p on reports, later confirmed, that Charter Consolidated had placed its 4 per cent holding in the market. It rallied to close a net 16p cheaper at 592p. Charter ended 10p firmer at 265p.

Gold Fields mirrored the performance of RTZ and jumped to 576p before falling back to 557p and surging afresh to close a net 12p higher at 565p.

South African issues continued their recent upward trend, boosted by another strong performance by the bullion price

In South African financials, De Beers rose a further 17p to a 1903 high of 565p following strong Cape buying, while Anglo-American moved up £½ to £14⅞.

Share information service, Pages 34-5



FAR EAST

Foreigners again fuel Tokyo

FOREIGN interest in electrical, precision instrument and other blue chip issues encouraged further Tokyo progress at peak levels, but jitters over the high prices being achieved were reflected in a moderation in trading volume and scattered profit-taking among large-asset shares such as paper pulps, railways and property companies.

Indications of a recovery in the Japanese economy, an added enhancement to the rally, later gained solidity when the Bank of Tokyo revised upward its forecast of economic growth to a real 3.1 per cent in 1983-84, allowing for a boost to domestic demand resulting from falling oil prices.

The Nikkei-Dow Jones market average advanced 30.37 from Friday's close to a record 8,582.53, while the stock exchange index added 2.42 to 621.81. Turnover totalled some 380m shares against the previous 580m.

Dealers said surplus liquidity on the domestic money market was beginning to spill over, with stock investors' sentiment bolstered by a reduction in short-term yen interest rates, a possible cut in the official discount rate from its present 5½ per cent, and lower home loan rates which will take effect next month.

A Daiwa Securities analyst noted gradual increases in stock investments by large corporations over the past week.

Shipbuilders rose sharply in response to steep increases in foreign orders for last month. Mitsubishi Heavy Industries picked up Y12 to Y234 and Mitsui Engineering Y6 to Y164.

Of the precisions TDK gained Y140 to Y4,430, Pioneer Y60 to Y2,570, Takeda Y19 to Y829 and Canon Y20 to Y1,300.

A stronger yen bolstered government bond prices, but many investors were expected to hold to the sidelines until U.S. interest rates show a clearer trend.

Weakness in the Hong Kong dollar, by contrast, triggered a sharp downturn in stocks there, taking the Hang Seng index 26.17 lower to 1,040.97.

The local currency lost four cents in value against its U.S. counterpart, but brokers believed this had a bearing more on the timing than the severity of the downward correction in stocks. This had been expected on technical grounds after a 90-point rise over the past few weeks in low volume.

Cheung Kong caused some distress as it slipped below the HK$10 mark to end 25 cents down at HK$9.85. Trafalgar Housing continued to slide, off 11 cents to a closing 51 cents on its dividend omissions, but Sino Land held at 45 cents despite a profits erosion.

Overseas investors were absent from the selling rush. Against the trend Atlas Industries, an electronics group which was the strongest performing stock last year, surged 57 cents to HK$4.20.

Buying support held up selectively but adequately in **Singapore**, taking the Straits Times industrial index 6.66 higher to 899.27 and poised to break through the 900 barrier. But the day's active issues generally showed little change, and just a handful of strong gains gave the index its impetus.

Prices at 3pm, April 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
12⅞	5¼	AAR	.44	3.8	17	165	11½	11⅛	11½	+ ⅜
38	27½	ACF	2.76	8.1	9	170	34⅛	33⅞	33⅞	+ ⅞
20	12¼	AMF	1.36	8.1	32	345	17	16⅞	16⅞	− ⅛
28⅝	13¼	AMR Cp				1582	27¼	26⅛	27⅛	+ ⅛
14⅞	4	AMR	wt			205	13⅝	13⅜	13⅜	− ⅛
18¼	12⅞	AMR	pf2.18	12.		5	17⅝	17½	17⅝	+ ⅛
32⅝	24⅞	AMR	pf2.13	6.6		190	32¼	31⅜	32	
6⅝	2½	APL				5	5⅝	5⅛	5⅛	− ⅛
47⅞	24⅞	ARA	2.05	4.4	14	18	47⅛	47	47	− ⅛
79⅞	24½	ASA	3a	4.1		601	73¼	72¼	72⅞	+ 1⅛
28¼	13⅞	AVX	.32	1.2	34	144	26⅛	26	26⅛	+ ⅛
44⅞	27⅞	AbtLab	1	2.3	18	618	44⅞	44⅛	44⅜	− ½
29¼	26½	AccoW	n .12e	.4	22	51	29¼	28½	28⅞	− ⅛
22½	15⅞	AcmeC	.40	2.0	22	22	20¼	19⅝	19⅞	− ⅛
12⅞	5⅞	AcmeE	.32b	3.2	26	30	10⅛	10	10	− ⅛
17⅞	4¼	AdmDg	.04	.2	16	94	17½	17	17½	+ ⅛
17⅞	12½	AdaEx	1.73e	11		75	16¼	15⅞	16¼	+ ¼
11⅛	4⅞	AdmMl	.20e	1.7	16	396	u12	11½	11⅞	+ ⅜
24¼	12⅞	Advest	s .16	.7	15	108	23¾	23⅞	23⅞	+ ⅛
39¼	13	AMD	s		48	1188	37⅞	37	37⅛	− ⅛
44⅞	32⅞	AetnLf	2.64	6.4	9	3267	41¼	39⅝	41¼	+ 1¼
38½	8	Ahmns	.60	1.6		1192	37¼	37½	37¼	
4	2⅞	Aileen				307	3⅛	3¼	3½	+ ⅛
45⅞	23⅞	AirPrd	.80	1.9	12	328	41½	41	41½	+ ¼
24⅛	8⅞	AirbFrt	.60	2.8	27	514	21⅛	20⅞	21	+ ⅛
3	2	AlMoa	n		5	522	3	2⅞	3	+ ⅛
7⅛	5⅞	AlaP	dpf .87	12.		6	7⅛	7	7	− ⅛
73½	56	AlaP	pf 9	13		z110	71½	71½	71½	− ½

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Continued on Page 31

AMERICAN STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, April 18

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued on Page 32

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued from Page 30

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
25¾	10¾	XTRA		2.5	28	46	25½	25⅜	25⅜	−⅛
25⅛	17⅞	ZaleCp	1.25	5.1	34	15	24⅝	24⅝	24⅝	+⅛
21⅞	11⅝	Zapata	.84	5.3	3	135	15⅞	15⅝	15¾	
82¾	31½	Zayre	.60	.7	18	157	u83½	82½	83	+⅜
18⅛	9⅛	ZenithR				848	16½	16¼	16⅜	
33½	13½	Zero	s .48	1.5	20	6	32	32	32	
35¾	19⅝	Zurnin	1.32	3.9	9	282	34	33⅝	33½	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

CANADA

DENMARK

NETHERLANDS

AUSTRALIA

JAPAN (continued)

FRANCE

GERMANY

AUSTRIA

BELGIUM/LUXEMBOURG

NORWAY

SPAIN

SWEDEN

SWITZERLAND

ITALY

HONG KONG

JAPAN

SINGAPORE

SOUTH AFRICA

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

LONDON

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change
Bellair Cosmetics	65	+11
BP	388	+18
Charter Consolidated	265	+10
Currys	334	+36
Electro-Protective	246	−2
Glaxo	950	+35
ICI	436	—
Lasmo	308	+23
Minet	142	+9
Minorco	907	+60
RTZ	592	−16
Rugby Portlnd. Cement	112	−5

ACTIVE STOCKS FRIDAY'S

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Friday's close	Day's change
Glaxo	30	915	+45
Miss World	20	141	+10
RTZ	20	608	+20
Ultramar	20	565	−5
Akroyd & Sms.	19	360	+19
ICI	17	436	+8
Blue Circle	16	482	+17
Yelverton	16	69	+4
Rugby P. Cem.	15	117	+7
Taylor W'drow	14	600	+30
BAT Industries	13	575	—
Consolid. Gold	13	553	+10
El.-Protective	12	248	+18
Metoy	12	43	+5

NEW HIGHS AND LOWS FOR 1983

NEW HIGHS (210)
BRITISH FUNDS (2)
INT BANK & O'SEAS GOVT STLG ISSUES (1)
CORPORATION LOANS (3)
LOANS (2)
FOREIGN BONDS (2)
AMERICANS (6)
BANKS (3)
BUILDINGS (12)
CHEMICALS (2)
DRAPERY & STORES (6)
ELECTRICALS (9)
ENGINEERING (18)
FOODS (2)
HOTELS (5)
INDUSTRIALS (36)
INSURANCE (8)
LEISURE (4)
MOTORS (3)
NEWSPAPERS (8)
PAPER (3)
PROPERTY (13)
SHIPPING (1)
SOUTH AFRICANS (2)
TEXTILES (3)
TRUSTS (32)
OIL & GAS (9)
PLANTATIONS (1)
MINES (14)

NEW LOWS (14)
STORES (1)
Upton (E.) A
ELECTRICALS (2)
Immed. Business Systems; Lec Refrigeration
ENGINEERING (1)
Martonair
INDUSTRIALS (2)
Pentland; The Times Veneer
INSURANCE (1)
Ins. Corp. Ireland
TEXTILES (2)
Spencer (Geo.); Stroud Riley Drummond
TRUSTS (2)
Anglo-Int. Div.; Rosedimond
OILS (3)
Atlantic Res.; Dorset Res.; Atlantic Res. Int.

Corrected equity share indices for last Friday April 15 are shown in today's display. We regret that technical problems led to a repeat of most of Thursday's figures in last Saturday's issue.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

FIXED INTEREST

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

RISES AND FALLS

	Rises	Falls	Same
British Funds	54	13	32
Corpns., Dom. and Foreign Bonds	22	5	52
Industrials	324	240	774
Financial & Props.	122	87	310
Oils	27	32	51
Plantations	2	3	17
Mines	74	20	59
Others	47	72	52

FINANCIAL TIMES STOCK INDICES

	April 18	April 15	April 14	April 13	April 12	April 11	year ago
Government Secs.	82.19	82.09	82.11	82.24	82.49	82.75	67.06
Fixed Interest	84.36	84.16	84.27	84.26	84.23	84.25	67.40
Industrial Ord.	695.0	695.5	688.9	687.1	687.7	683.9	558.1
Gold Mines	657.9	651.8	640.6	622.3	635.9	618.0	265.5
Ord. Div. Yield	4.52	4.53	4.61	4.64	4.64	4.68	5.60
Earnings, Yld.% (full)	9.18	9.22	9.34	9.40	9.39	9.43	11.21
P/E Ratio (net) (*)	13.23	13.18	13.02	12.93	12.96	12.90	11.19
Total bargains	25,612	27,085	25,167	23,274	24,304	26,361	13,979
Equity turnover £m.	—	248.98	217.72	233.75	254.73	211.16	77.03
Equity bargains	—	23,282	21,895	21,654	23,942	21,667	9.39
Shares traded (ml)	—	145.6	159.2	144.9	177.1	147.7	59.0

10 am 698.4. 11 am 694.9. Noon 694.4. 1 pm 693.3.
2 pm 692.9. 3 pm 694.0.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/10/58. SE Activity 1974.
Latest Index 01-246 8026.
Nil=12.36.

HIGHS AND LOWS

	1983 High	1983 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	82.75 (11/4)	77.00 (24/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	84.36 (18/4)	79.03 (1/2)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	695.5 (15/4)	598.4 (12/1)	695.5 (15/4/83)	49.4 (26/6/40)
Gold Mines	734.7 (15/2)	531.5 (28/3)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	April 15	April 14
—Daily		
Gilt Edged Bargains	217.1	249.9
Equities Bargains	150.8	141.9
Value	503.2	440.1
5-day Avrge		
Gilt-Edged Bargains	196.1	185.8
Equities Bargains	145.7	147.2
Value	471.5	493.3

NEW YORK AND CANADA

Indices

NEW YORK—DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

RISES AND FALLS

MONTREAL

	Apr 18	Apr 15	Apr 14	Apr 13	1983 High	1983 Low
Industrials	386.24	383.43	378.94	375.48	383.43(15/4)	329.12(4/1)
Combined	379.86	378.25	373.82	368.79	378.25(15/4)	322.98(4/1)
TORONTO Composite	2277.8	2264.1	2245.8	2207.4	2264.1(15/4)	1949.8(4/1)

U.S. INDICES: 2.30 PM VALUES. YESTERDAY'S CANADIAN INDICES: LATEST AVAILABLE

AMERICAN STOCK EXCHANGE PRICES

Continued from Page 31

COMMODITIES AND AGRICULTURE

Rain torrent hits Indian wheat crop

AT LEAST 5m tonnes of wheat will be lost because of torrential and unseasonal rain in the key agricultural northern states of Punjab, Haryana and Uttar Pradesh over the past week, according to traders.

The rain came when the wheat was being harvested and large quantities were still laying, writes K. K. Sharma in New Delhi. India had hoped for a record 40m tonnes of wheat to help it overcome summer food-grain losses resulting from drought in many southern states.

● ONE IN EIGHT British householders never serve fish at home, according to a Gallup poll conducted for the Sea Fish Industry Authority. A quarter of under-25s and 14 per cent of over-65s said they never bought fish.

● COMBINED Ivory Coast and Ghana 1983/84 main crop cocoa output could fall to 450,000 tonens from 495,000 in 1982/83 if the recent severe drought has damaged cocoa trees badly, Bordeaux-based dealer etablissements Roger Touton SA said.

● UGANDA tea production is expected to rise 50 per cent this year, Mr John Olwoc, general manager of the Uganda Tea Authority said. Output last year was 2.57m kilos, up from 1.67m in 1981.

● PENINSULAR Malaysian crude palm oil output in February fell to 182,108 tonnes from a revised 106.117 in January and 190,610 in February last year, official figures show.

● U.S. ROASTINGS of green coffee in the week ended April 9 were about 275,000 (60-kilo) bags, including that used for soluble production, compared with 320,000 in the same period last year, George Gordon Paton and Co. said.

Geest Organisation

THE GEEST Organisation points out that it is solely responsible for marketing bananas from the Windward Islands, not Fyffes as was stated in the Financial Times article headed "Payment for natural disasters" last week.

Tin prices fall sharply

BY JOHN EDWARDS, COMMODITIES EDITOR

TIN PRICES dropped sharply again on the London Metal Exchange yesterday. The three months quotation for standard grade tin closed £250 down on the day at £8,582.5 a tonne after touching a low of £8,440 at one stage. Only 10 days ago it reached an all-time peak of over £9,280. The cash price was £240 lower at £8,835.

Sterling has recovered strongly since then, which has meant the buffer stock of the International Tin Council has lowered its support level in London. At the same time the market has been hit by heavy selling by speculators—first of all taking profits and subsequently going "short" following chart predictions of lower prices.

However, Mr P. de Koning, buffer stock manager, claimed yesterday that the London price fall had gone far enough to compensate for the rise in sterling, and signs of renewed support buying by the buffer stock helped rally the market in late trading.

Mr de Koning told Reuters that tin stocks in Penang and Europe had fallen, although tin holdings in the LME warehouses rose again last week by 490 tonnes to a total of 38,830 tonnes.

Copper stocks were also up again—for the 28th week in succession—rising by 2,475 tonnes to 313,075 tonnes.

But copper prices were surprisingly strong, in spite of the depressing influence of the rise in sterling. The market was encouraged by the firm trend in gold and unconfirmed reports of renewed buying by the Chinese, which offset U.S. selling pressure.

The market shrugged off news that over the weekend U.S. copper industry unions approved the tentative agreement reached with producer Kennecott on the terms of new three-year labour contracts to replace the existing contracts expiring in June. It is felt the Kennecott deal will set a precedent for other companies to follow and avoid a threatened strike.

Other metals followed the firmer trend in copper and gold. Silver was particularly strong. The London bullion spot quotation rose by 27.3p to 789.15p a troy ounce at the morning fixing, and the market moved further ahead in the afternoon following news of the explosion at the U.S. embassy in Beirut.

LME silver holdings rose by 610,000 to 34,170 ounces last week. Lead stocks increased by 3,200 tonnes to record total of 164,050 and nickel by 1,200 to 14,316 tonnes.

Aluminium stocks fell by 2,900 to 264,750 and zinc by 75 to 92,125 tonnes. Nickel and aluminium prices were easier, but lead and zinc remained steady in line with copper.

The zinc market was encouraged by a forecast from Keith Spurr, Cominco vice-president of sales, of higher prices later this year. Mr Spurr told a meeting of the National Association of Recycling Industries in New York that zinc consumption should rise significantly as the U.S. economy continues to recover, Reuter reported.

Mr Spurr was less optimistic about lead. He said demand was unlikely to improve until a seasonal pickup

Dollar base for sugar approved

By Our Commodities Editor

A SWITCH from sterling to dollar-based trading on the London sugar futures market was given the go-ahead yesterday.

An extraordinary general meeting of the United Terminal Sugar Market Association also agreed to launch a dollar-based white (refined) sugar contract.

Starting dates for the new markets will be decided by a committee of the association after the necessary rule changes have been made.

However, it is hoped dollar trading in raw sugar will start from the beginning of June, and that the white (refined) contract will be launched on July 1. The plan is to have two separate "rings" on the present sugar futures trading area in the Corn Exchange.

It is claimed that in recent years sugar has become a dollar commodity on the world market and therefore hedging against sterling prices often involves a big currency exposure.

New Zealand wool hits record 303c

BY DAI HAYWARD

NEW ZEALAND wool prices reached a record level of 303 cents per kilogramme at the Auckland sales on Friday.

The record price followed a series of leaps since the end of January sales when the price was 233 cents a kilo.

Mr Doug McIlraith, Wool Board Chairman, said the price increase was too rapid, when it reached 274 cents at the end of March. The upward trend in prices began with New New Zealand's devaluation and has continued steadily.

The price had stood at around 275 cents a kilo at the three previous sales in early April. At Invercargill, prices reached 287 cents on Thursday, then it broke the 300 cent barrier on Friday. The previous highest sale price was 291 cents in October 1979.

Buying from Iran and other Middle East countries with good support from the Soviet Union and Western Europe helped push up the bidding.

However, main buying came from local mills which have been steady bidders for the past three months.

The Wool Board had to give little support—it bought no wool at Auckland and bid on only two lots.

It says the price rise reflects a slight upturn in overseas economies coupled with a low level of wool stocks in buying countries.

Production is declining as New Zealand moves towards the end of the season, but the Wool Board still has a stockpile of about 0.37m bales.

However, the board will not feed stockpiled wool onto the market in large quantities, but will continue to sell steadily.

The stockpile has fallen since last July by about 50,000 bales from its original 0.42m bales.

The high prices are also good news for the New Zealand taxpayer who has been providing a minimum price scheme for farmers under the Government's policy to keep farming viable.

NZ apple shipments set to rise

By Our Commodities Staff

SHIPMENTS of New Zealand apples to the UK this year are expected to rise to about 20,000 tonnes, up from 18,300 tonnes last year. This is in spite of the recent drought, which is estimated to have cut production by around 15 per cent.

Britain will remain New Zealand's biggest apple customer, the New Zealand Apple and Pear Marketing Board said in London yesterday, with purchases amounting to one third of its total shipments to the EEC.

Mr Neil Guymer, the board's general manager for Europe, said two new varieties had been added to the export range, Gala and Braeburn, while Golden Delicious had been deleted. The new varieties will account for only about 5 per cent of total sales this year, but they are forecast to increase quickly—by around 25 per cent a year initially.

Getting to grips with a cocoa crisis—Ghana takes up the fight

Crop smugglers face a crackdown as officials fight to give farmers a fair deal

THE revolutionary government of Ghana has given priority to reviving cocoa output, but it will be three or four years before the policy bears fruit.

It is employing the stick and the carrot method. On one hand, it is coming down hard on those engaged in smuggling what officials admit to be 20 per cent of the crop to neighbouring Togo and Ivory Coast; on the other it is offering a higher price and, even more importantly, regular payments to farmers.

The success of the programme is as vital for the country as any element in the four-year economic plan announced at the end of last year by Dr Kwesi Botchwey, the Finance Secretary.

The decline of cocoa production has been spectacular, halving in 20 years from a world-leading output of half a million to last year's 250,000 tonnes.

Smuggling to gain a harder currency than the cedi and consumer goods unavailable in Ghana, has been a problem, but is not a major reason for the decline.

Farmers have converted their land to other crops, particularly maize, because of the low price cocoa commanded and the uncertainty of payment. In addition, the delapidation of Ghana's railway network, compounded with the more recent decline of road transport, has made it difficult to get the beans to the ports.

And there are chronic shortages of fuel, batteries and tyres to keep lorry fleets going.

It took until just before the start of the current season, in November, for the 1981-82 crop.

However, the biggest disincentive to tending cocoa trees has been corruption among the Cocoa Marketing Board's purchasing clerks. These buyers, powerful figures in rural communities developed a system whereby farmers, instead of being paid cash for their crop, were given IOU's, or "chits." The clerks then kept the money themselves and even, on occasions, advanced loans to farmers on the security of their own chits. In some cases, farmers had to wait two years for payment.

The Rawlings Government has evolved the Akuafo system, under which all farmers are paid by cheque, and more than 70 bank branches have been opened in rural areas to establish banking facilities in all Ghana's 136 cocoa-growing districts.

Atu Ahwoi, the U.S.-trained economist who devised the scheme, says it has great advantages. It brings farmers for the first time into the credit economy and releases millions of cedis into circulation. Also, since farmers are registered the CMB has an accurate picture of what is happening in the fields.

Initially, it has had one major disadvantage. The system has yet to win the confidence of all the 1.4m cocoa farmers in spite of an intensive propaganda campaign by the ruling Provisional National Defence Committee. Many CMB clerks told farmers the slips of paper they would get would be worthless, and the banks would be unable to honour them fully in cash; and of course this has happened.

Thousands of farmers have presented their cheques and demanded all the cash, on the spot. There have been runs on banks and many simply have run out of cash. There have also been interminable delays in opening thousands of new accounts and farmers have had to queue for hours and even days.

However, Atu Ahwoi says it is early days. He is confident the system will help provide the incentive to plant and tend more trees.

There is a further incentive to farmers. The price paid to them per headload (30 kg) was trebled on January 1 last year, by decision of the previous government, to 360 cedis. This has helped the farmers, but it has added to the Government's problem, for the economics of Ghana's cocoa trade are catastrophic.

The country's income from cocoa pays only about a quarter of the cost of producing it. This year's anticipated income of some 1,125m cedis will not even meet the payroll for the CMB's 150,000-strong bureaucracy. The farmers will have to be paid around 3,000m cedis. It all has to come from central reserves.

Constricted as it is, Ghana's cocoa export trade still accounts for 60 per cent of its foreign exchange earnings. Hard currency is needed desperately, since the major problem in reviving production is the acquisition of plant and spares. Dr Botchwey has admitted that manufacturing industry is currently operating at between 15 and 20 per cent of capacity.

The Government's campaign to stop smuggling is having more immediate effect, but it is generally conceded it can never be totally successful. Ghana's borders were sealed last September, and are patrolled by units of the army and the newly-formed Peoples Militia—effectively activists of the revolution's Peoples Defence Committees with basic arms training, which have tackled the problem of smuggling with zeal.

Ghana's artificial frontiers run through tribal land and the movement of headloads across them can never be stopped, but it is the movement of lorry-loads that the government is worried about, and that is being halted.

Atu Ahwoi is realistic about the hurdles to be jumped: "The British had developed a most beautiful system, to get cocoa from the tree right onto the breakfast table in London. I am full of admiration for it, and I recognise that we haven't been able to work it so efficiently. We need a new motivation to make it work again."

PRICE CHANGES

In tonnes unless stated otherwise	Apr. 18 1983	+ or —	Month ago
[illegible]			

LONDON OIL SPOT PRICES

[illegible]

GOLD MARKETS

Gold rose $6 an ounce from Friday's close in the London bullion market yesterday to close at $441-442. The metal opened at $443½-444½ and traded between a high of $444½-445½ and a low of $441-442. The metal was fixed at $443.20 in the morning and afternoon in both dollar and sterling terms at $443.20 (£284.339), with little movement seen in the afternoon after a steady opening in New York.

In Paris the 12½ kilo bar was fixed at FFr 105,000 per kilo ($443.93 per ounce) in the afternoon compared with FFr 105,000 ($446.15) in the morning and FFr 102,600 ($436.63) on Friday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 34,380 per kilo ($443.90 per ounce) against DM 34,280 ($437.98) previously and closed at $443-444.

In Luxembourg the dollar per ounce equivalent of the 12½ kilo bar at yesterday's fixing was $444.0 from $437.0.

In Zurich gold closed at $441-444.

[illegible]

EUROPEAN MARKETS

[illegible]

BRITISH COMMODITY MARKETS

BASE METALS

BASE-METAL PRICES were mixed on the London Metal Exchange. Copper rose sharply as influential buying lifted forward metal to £1,100 before profit-taking and rumoured U.S. selling pared the price to £1,088 at the close. Tin prices slumped as profit-taking, chartist and computer selling saw forward standard material drop to £8,440 before talk of buffer stock support prompted a strong rally to £8,580. Other metals were affected by the sharp rise in sterling.

COPPER

[illegible]

GAS OIL FUTURES

[illegible]

LONDON FUTURES

[illegible]

TIN

[illegible]

LEAD

[illegible]

ZINC

[illegible]

ALUMINIUM

[illegible]

NICKEL

Nickel—Morning: Cash £2,055, 50, 40, 35, 30, three months £3,040, 35, 30, 40, 50, 49, 45, 35, 30. Kerb: Three months £3,030, 20. Afternoon: Three months £3,020, 30, 35, 40, 45, 50, 55. Kerb: Three months £3,070, 75, 70. Turnover: 2,684 tonnes.

SILVER

[illegible]

COCOA

[illegible]

COFFEE

[illegible]

GRAINS

[illegible]

May 146.50 transhipment east coast. Barley: English feed fob April 126, May/July 127, Aug 111.75, Sept 113.50, Oct/Dec 117.50 east coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: N. East 123.60. The UK monetary coefficient for the week beginning Monday April 25 (based on HGCA calculations using four days exchange rates) is expected [illegible]

POTATOES

[illegible]

RUBBER

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

COTTON

LIVERPOOL—Spot and shipment sales amounted to 40 tonnes. Limited dealings took place, despite a sustained demand in numerous directions. Spinners were anxious to maintain supplies in the face of renewed operations and interest was reported in various American type growths.

WOOL FUTURES

[illegible]

INDICES

FINANCIAL TIMES

[illegible]

REUTERS

[illegible]

MOODY'S

[illegible]

DOW JONES

[illegible]

TEA AUCTIONS

[illegible]

MEAT/FISH

[illegible]

Coffee producers to curb non-pact sales

COFFEE producers are likely to agree measures drawn up on Friday by nine leading coffee exporters in an effort to control the market in coffee exported to non-member countries of the International Coffee Organisation, Octavio Rainho, president of the Brazilian Coffee Institute, told Reuters.

However, consumers may be reluctant to give full support to all five producers' proposals, he added.

The five-point plan agreed should go before all producing members of the ICO and then go to the ICO Executive Board for consideration by consumers early this week.

Mr Rainho said there might have to be some compromise with consumers to obtain support for the bulk of the agreed measures.

Most opposition might come for the call for importers to reduce their allowed import quota of non-member coffee to just that actually grown in non-member countries, he added.

At the moment the small quota covered by special article under the coffee pact usually includes coffee exported by member producers outside their ICO export quota.

Mr Rainho said no date had been set yet for further high-level meetings on the non-member market, but delegates said it would be kept under constant review with the possibility of economic sanctions being imposed if a strong monitoring system does evolve.

The meeting was convened by Brazil, Colombia, Indonesia and the Ivory Coast and attended by Angola, Costa Rica, India, Kenya and Mexico with the support of Ecuador and Guatemala who were unable to attend.

Preliminary figures issued by the International Coffee Organisation secretariat estimated that exports by member countries to non-members in the first five months (October to February) of the 1982/83 season rose to an estimated 3.61m bags of 60 kilos from 2.99m in the same 1981/82 period.

Last year, exports to non-member countries rose to 9.05m bags from 4.49m in 1977 according to West German coffee trader, Mr Bernhard Rothfos.

Largest single exporter in this category was Brazil, with 1.73m bags last year against 1.24m in 1977.

Indonesia was next largest, with exports to non-member countries up to 1.50m bags in 1982 from 511,000 in 1981, 185,000 in 1980 and 9,000 in 1977, it said.

Other leading exporters to countries outside the ICO in 1982, with 1977 comparisons in brackets, included Colombia with 903,000 bags (375,000), Guatemala 706,000 (27,000), India 608,000 (434,000) and Ivory Coast 588,000 (340,000) Mr Rothfos said.

Stock index deal likely

BY NANCY DUNNE

THE CHICAGO Mercantile Exchange and the Chicago Board Options Exchange are close to an agreement which would permit their members to trade on each other's stock index contracts.

The pact would be likely to leave the giant Chicago Board of Trade once again left at a stock index contract at a time when trading on security indices is of growing importance in the futures industry.

The CBT has been negotiating with the options exchange to trade a future based on the successful CBOE 100 options contract. Traders from both exchanges, which are in the same building, would have access to both the futures and options stock index contracts on both floors.

Apparently, the Chicago Merc offered a better deal. Under the proposed agreement, the CBOE would trade options based on the Merc 75 popular Standard and Poor 500 contract and the Merc would list a CBOE 100 future. Merc would thus have two stock index futures, and the CBT would have none.

[illegible]

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1983 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99 13/32	98 13/32	Treasury 9¼pc '83	99 13/32	......	9.27	10.05
102 11/32	100 1/4	Exch. 13¼pc '83	101 13/32xd	......	13.24	10.07
99 13/32	98 1/4	Exch. 10pc 1983	99 13/32	......	10.02	10.02
97⅝	96¼	Funding 5½pc '82-84‡‡	97	+⅛	5.67	9.73
101¼	99½	Exch. 11¼pc 1984	100 13/32	+1/16	11.14	9.99
104⅜	102½	Exchequer 14pc 1984	103⅞xd	+1/16	13.47	10.19
94¼	92½	Exch. 3pc 1984	94¼	+⅛	3.16	7.77

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked & Variable Rate

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

1983 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
25½	23¼	Do. 3pc '20 Aft.	25	+¼	12.38	—
102¼	100	Sunderland 12¼pc 1984	102¼	+¼	11.98	10.66

COMMONWEALTH AND AFRICAN LOANS

1983 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99	94¼	Aust. 6pc 1981-83	99	......	6.20	11.62
78½	74¼	N.Z. 7½pc 1988-92	77½	+½	9.62	11.68
91¼	91¼	Do. 7½pc '83-86	91¼	......	8.46	11.88
163	160	S. Rhod. 2½pc Non-Ass.	160	......	—	—
88	74	Do. 3½pc 80-85 Assd.	79	......	4.45	13.80
54	44	Do. 4½pc 87-92 Assd.	48	......	9.55	15.20
390	321	Zimbabwe Ann (£100pa)	321xd	......	—	20.43

LOANS

Public Board and Ind.

1983 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
77½	72½	Agric. Mt. 5pc '59-89	76¼	+¼	6.69	10.65
34¾	31¼	Met. Wtr. 3pc 'B'	34½	+¼	8.80	11.47

LOANS—Continued

Financial

Building Societies

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

1983 High	Low	Stock	Price	+ or −	Div. Gross	C'vr	Y'ld Gr's
18	13¼	Royal Bk. Can. $1	18xd	......	$2.00	—	6.0
19	15½	Seagram Co. C$1	18½	−⅛	US$2.04	—	7.4
75p	65p	Talcorp	70p	......	—	—	—
130p	115p	Do. Pref. $3	127p	......	10%	—	12.7
26½	19⅞	Tor. Dom. Bk. $1	26xd	−½	$2.00	—	4.2
15⅝	13	¶Trans Can Pipe	13⅛	−⅛	$1.28	—	5.2

BANKS, H.P. & LEASING

1983 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
240	190	ANZ $A1	220	+2	Q28c	3.1	7.3	4.4
295	273	Alexanders D. £1	283	−1	20.0	—	10.1	—
£93	£66	Algemene Fl.100	£88½	......	Q26%	♦	7.3	♦
128	98	Allied Irish	128	+2	Q15.3%	4.0	7.6	4.2
110	77	Arbuthnot (H.) 50p	90	......	3.5	—	5.6	—
300	255	Bk. Ireland £1	295	−5	Q29.4%	—	8.5	—
3½	2	Bank Leumi	2½	......	—	—	—	—
165	130	Bk. Leumi (UK) £1	150	......	10.15	—	9.7	—

BANKS—Continued

Hire Purchase, Leasing, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Continued.

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

MINES—Continued

Central African

1983 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
300	218	Falcon Rh.50c	250	......	Q25c	10.3	6.4
21	16	Wankie Col. Z$1	20	......	Q5c	♦	17.9
28	18	Zam.Cpr.SBD0.24	21	......	—	—	—

Australians

1983 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
28½	13½	♥ACM 20c	21	+½	—	—	—
14	6	♥Argosy Gold NL 25c	8	......	—	—	—
25	11	Balmoral Resources	19½	+½	—	—	—
60	42	♥Black Hill Mins.	52	+2	—	—	—
74	52	♥Bond Corp.	57½	+2½	[illegible]	2.3	10.7
154	116	♥Bougainville 1 Kina	147	......	Q3.4c	1.2	1.4
291	214	♥CRA 50c	283	......	Q3c	—	0.6
145	60	♥Carr Boyd 20c	100	+1	—	—	—
35	18	♥Central Pacific	23	......	—	—	—
320	210	♥Crusader Oil	275	......	—	—	—
15	8	♥Cultus Pac NL	11	......	—	—	—
15	7	♥Eagle Corp 10c	15	......	—	—	—
14	8	♥Endeavour 20c	10	......	—	—	—

Tins

Miscellaneous

NOTES

REGIONAL AND IRISH STOCKS

OPTIONS

3-month Call Rates

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 37

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling maintains its firm trend

Sterling maintained its recent firmer trend in fairly active foreign exchange trading. Hopes that the present Opec price structure will hold led to a steady advance by the pound, with its trade weighted index finishing equal to the year's high of 83.8 set on the first trading day of January.

Dealers reported an unwinding of positions taken in favour of the D-mark in late March because of oil price fears, and that other members of the European Monetary System were dragged down in the wake of the German currency. Apart from sterling, the dollar also benefited from the move out of Continental currencies, while the Japanese yen held reasonably firm. Friday's U.S. money supply figures were in line with market expectations.

STERLING — Trading range against the dollar in 1983 is 1.6245 to 1.4540. March average 1.4962. Trade-weighted index 83.8, against 83.7 at noon, 83.6 at the opening, 83.5 at the previous close, and 92.5 six months ago. Sterling has climbed steadily on hopes of a period of oil price stability following the acceptance of price proposals by BNOC's major customers.

Sterling opened at the day's low of $1.5530-1.5540, and advanced steadily to a peak of $1.5620-1.5630, before closing at $1.5610-1.5620, a rise of 1.35 cents on the day. The pound also improved to DM 3.8425 from DM 3.7775 against the D-mark, to FFr 11.51 from FFr 11.3150 against the French franc; to SwFr 3.2150 from SwFr 3.1650 in terms of the Swiss franc; and to Y371.75 from Y368 against the Japanese yen.

DOLLAR — Trade-weighted index (Bank of England) 122.8 against 123.9 six months ago. The dollar has been firm during a period of uncertainty about oil prices and the recent upheaval in the EMS. U.S. interest rates have not fallen as once expected, and although better money supply figures have led to renewed hopes, future trends remain rather obscure.

The dollar rose to DM 2.4595 from DM 2.4385; to FFr 7.3725 from FFr 7.3125; to SwFr 2.0580 from SwFr 2.0425; and to Y237.85 from Y237.60.

D-MARK — Trading range against the dollar in 1983 is 2.4950 to 2.3320. March average 2.4102. Trade weighted index 129.8 against 126.7 six months ago. German economic strength and low inflation compared with many of its neighbours have once again caused strains within the EMS. The latest realignment gives the D-mark room for appreciation as it is currently close to the bottom of the system.

The D-mark was fixed at its lowest permitted level against the French franc and Danish krone yesterday and the Bundesbank sold FFr 41.5m and DKr 3m as the two currencies were fixed at their respective ceiling levels of DM 33.35 per FFr 100 and DM 28.165 per DKr 100. The dollar rose to DM 2.4508 from DM 2.4372 and sterling was higher at DM 3.8150 from DM 3.7590.

DUTCH GUILDER — Trading range against the dollar in 1983 is 2.7710 to 2.5755. March average 2.6831. The guilder has been a little disappointing since the latest EMS realignment where it was effectively adjusted downwards against the D-mark. This has turned the spotlight on to the very high budget deficit being run, with a healthy current account surplus and low inflation failing to hold the guilder. It has recently touched a record low against the D-mark and is bottom of the EMS, prompting occasional central bank support.

The Dutch guilder lost ground at yesterday's fixing in Amsterdam. The dollar rose to Fl 2.7610 from Fl 2.7485 and sterling was higher at Fl 4.3020 compared with Fl 4.2390. Within the EMS the French franc was unchanged at Fl 37.58 per FFr 100 while the D-mark was a little weaker at Fl 1.1265 from Fl 1.1267½.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU April 18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.3662	45.1051	+1.67	+0.57	±1.5430
Danish Krone ...	8.04412	8.03406	−0.13	−1.23	±1.6419
German D-Mark	2.21515	2.26217	+2.12	+1.02	±1.0567
French Franc ...	6.79271	6.78375	−0.13	−1.23	±1.4018
Dutch Guilder ...	2.49587	2.54904	+2.13	+1.03	±1.4941
Irish Punt	0.71705	0.716145	−0.13	−1.23	±1.6696
Italian Lira	1386.78	1348.24	−2.92	−2.92	±4.1463

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

OTHER CURRENCIES

[illegible]

CURRENCY MOVEMENTS

Apr. 18	Bank of England Index	Morgan Guaranty Change %
Sterling	83.8	−36.8
U.S. dollar	122.8	+12.3
Canadian dollar	90.5	−17.7
Austrian schilling	121.0	+30.6
Belgian franc	94.1	−1.6
[illegible]	[illegible]	[illegible]

Based on trade weighted changes from Washington agreement December 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

April 18	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.695259	0.598228
U.S. $	8½	1.08217	0.922395
Canadian$	9.49	*	1.14006
Austria Sch	3¾	18.6534	15.9113
Belgian F	10	52.8843	45.1051
Danish Kr	8½	9.39215	8.03406
[illegible]	[illegible]	[illegible]	[illegible]

*CS/SDR rate for April 15 1.33500.

THE POUND SPOT AND FORWARD

April 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	151.50-153.75	152.50-153.50	370-1380c dis	[illegible]	660-2215dis	[illegible]
Spain	211.00-212.80	212.40-212.60	145-265c dis	−11.58	425-590dis	−9.55
Italy	2,256-2,284	2,281½-2,283½	8-11lire dis	−4.99	30-35 dis	−5.70
Norway	11.10-11.18	11.16½-11.17½	2¼-3¼ore dis	−3.22	7¾-8¾ dis	−2.91
France	11.36-11.52	11.50½-11.51½	1¾-2¼c dis	−2.35	8½-10½ dis	−3.43
Sweden	11.62-11.72	11.70½-11.71½	½-1½ore dis	−0.83	1¾-2¼ dis	−0.73
Japan	368-373	371¼-372¼	1.30-1.10y pm	3.87	3.55-3.35 pm	3.71
Austria	26.65-27.00	26.92-26.97	12-10gro pm	4.90	33½-28½ pm	4.60
Switz.	3.17-3.22	3.21-3.22	1⅞-1⅝c pm	6.07	5-4⅞ pm	5.91

Belgian rate is for convertible francs. Financial franc 76.70-76.80.
Six-month forward dollar 0.63-0.58c pm. 12-month 0.80-0.65c pm.

THE DOLLAR SPOT AND FORWARD

April 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	97.30-98.80	97.85-98.35	250-900c dis	−70.28	450-1450dis	−38.70
Spain	136.65-136.25	136.10-136.15	110-160c dis	−11.92	325-400dis	−10.57
Italy	1,452-1,462¼	1,461¼-1,462¼	7½-8½lire dis	−6.78	25-26½ dis	−7.06
Norway	7.1400-7.1575	7.1420-7.1470	1½-2½ore dis	−3.77	6.20-7.20dis	−3.75
France	7.3050-7.3760	7.3700-7.3750	2.00-2.30c dis	−3.51	7.90-8.40dis	−4.43
Sweden	7.4770-7.5100	7.4890-7.5040	1-1½ore dis	−2.00	2.95-3.45dis	−1.71
Japan	236.90-238.05	237.80-237.90	0.57-0.52y pm	2.75	1.70-1.62 pm	2.79
Austria	17.16-17.28	17.26-17.27	5.80-.500gro pm	3.75	16.75-14.25pm	3.59
Switz.	2.0350-2.0615	2.0575-2.0585	0.87-0.82c pm	4.93	2.62-2.57 pm	5.04

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 49.10-49.20.

EXCHANGE CROSS RATES

Apr. 18	Pound St'rling	U.S. Dollar	Deutschem'k	JapaneseYen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1	1.562	3.833	371.8	11.51	3.215	4.330	2283.	1.951	76.40
U.S. Dollar	0.640	1.	2.454	238.1	7.371	2.059	2.773	1462.	1.236	48.93
Deutschemark	0.261	0.407	1.	97.00	3.003	0.839	1.130	595.6	0.504	19.93
Japanese Yen 1,000	2.690	4.200	10.31	1000.	30.96	8.648	11.65	6140.	5.193	205.5
French Franc 10	0.869	1.357	3.330	323.0	10.	2.793	3.762	1983.	1.677	66.38
Swiss Franc	0.311	0.486	1.192	115.6	3.580	1.	1.347	710.0	0.600	23.76
Dutch Guilder	0.231	0.361	0.885	85.85	2.658	0.742	1.	527.1	0.446	17.64
Italian Lira 1,000	0.438	0.684	1.679	162.9	5.043	1.409	1.897	1000.	0.846	33.47
Canadian Dollar	0.518	0.809	1.985	192.6	5.962	1.665	2.243	1182.	1.	39.58
Belgian Franc 100	1.309	2.044	5.016	486.6	15.07	4.208	5.668	2988.	2.527	100.

FINANCIAL FUTURES

Gilts firmer in quiet trading

Sterling based contracts continued to benefit from the strength of the pound in the London International Financial Futures Exchange yesterday. Trading volume was on the low side however, reflecting a similar lack of activity in the cash market.

Contracts traded in a fairly narrow range and with much of the market now quite long on sterling.

The June gilt price opened at the day's high of 106-12 up from Friday's close of 106-00 and moved in a very narrow range, touching a low of 106-02 before closing at 106-06. The June price in the short sterling sector opened at 90.35 and moved up with sterling to a high of 90.40 before finishing at 90.37 compared with Friday's close of 90.34. Dealers noted some rollover activity in the June/September spread.

Euro-dollar values were a little firmer overall but finished below the day's best levels following a small downturn in Chicago.

The June Euro-dollar price traded in a very narrow range to finish at 91.01 up from 90.94 on Friday.

Currency contracts showed increased activity with the dollar continuing to benefit from a general reluctance to unwind positions ahead of any positive downward trend in U.S. interest rates. Sterling was the obvious exception and after opening at 1.5550 up from 1.5420 on Friday, touched a best level of 1.5570 which it maintained until the close of business.

LONDON

[illegible]

CHICAGO

[illegible]

MONEY MARKETS

London sentiment remains bullish

UK clearing bank base lending rates 10 per cent (since April 15 and 18)

Short-term interest rates maintained the recent easier trend in the London money market yesterday, encouraged by the strength of sterling on the foreign exchanges. This led to renewed speculation about the possibility of a return to single-figure bank base rates, although the market was generally cautious on this subject, suggesting that after the recent struggle to achieve a base rate of 10 per cent it is likely to be some time before the authorities are willing to sanction another cut.

The Bank of England forecast a money market shortage of £500m. A fall in the note circulation added £250m to liquidity, with Exchequer transactions contributing another £160m. But these were outweighed by bills maturing in official hands and a take-up of Friday's Treasury bill tender of £338m, plus the unwinding of repurchase agreements of £492m.

Total help provided was £437m, all through outright purchases of bank bills at unchanged dealing rates. Before lunch the Bank of England gave help of £230m by buying £41m bills in band 1 (up to 14 days maturity) at 10 1/16 per cent; £138m bills in band 2 (15-33 days) at 10 per cent; £20m bills in band 3 (34-63 days) at 9 15/16 per cent; and £31m in band 4 (64-84 days) at 9 7/8 per cent.

In the afternoon the authorities purchased another £207m bills by way of £3m in band 1 at 10 1/16 per cent; £105m in band 2 at 10 per cent; £70m in band 3 at 9 15/16 per cent; and £29m in band 4 at 9 7/8 per cent.

In the interbank market fixed period rates were little changed, despite the continuing bullish sentiment, but overnight money finished firm after a fairly quiet day. It was between 10 per cent and 10½ per cent for the most part, before rising to 12 per cent in late trading.

In Paris call money rose to 12½ per cent from 12¼ per cent on Friday, and 12½ per cent on Thursday, in response to a money market shortage caused by the build up in the bank reserves ahead of monthly make-up. This technical situation may not be reflected in the Bank of France intervention rate, which is expected to fall from the present level of 12¼ per cent when the central bank buys first category paper from the market on Thursday. The authorities will announce the scale of intervention and the rate of interest on Wednesday.

LONDON MONEY RATES

Apr. 18 1983	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ⊕	Eligible Bank Bills ⊕	Fine Trade Bills ⊕
Overnight	—	10-12	—	—	—	10¼-10⅝	10-10½	—	—	—
2 days notice	—	—	10¼-10⅜	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	10⅛-10⅜	10¼	—	—	10⅝	10-10⅛	—	—	—
One month	10⅜-10¼	10 3/16-10 7/16	10¼	11-10⅝	10¼	10½-10¾	10	10 1/32	10 1/32	10 3/8
Two months	10¼-10⅛	10¼-10⅛	10¼	10¾-10⅜	10¼	10⅝	9⅞	9 31/32-9 15/16	9 15/16	10 3/16
Three months	10 3/16-10	10 3/16-10 1/16	10⅛	10⅝-10¼	10¼	10⅛	9¾	9⅝-9 13/16	9 13/16	10 1/16
Six months	10-9⅞	10 1/16-10 3/16	10	10-9¾	10⅛	—	—	—	9 27/32-9 25/32	10 1/32
Nine months	10-9⅞	10-10⅛	10	10⅜-10	10⅛	—	—	—	—	—
One year	10-9⅞	10-10⅛	10	10¼-9⅞	10⅛	—	—	—	—	—
Two years	—	—	10¼	—	—	—	—	—	—	—

ECGD Rate Export Finance Scheme IV Average Rate for interest period March 2 to April 5 1983 (inclusive): 10.974 per cent.

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 10½ per cent; four years 10¾ per cent; five years 10⅞ per cent. ⊕Bank bill rates in table are buying rates for prime paper. Buying rate for four months bank bills 9¾ per cent; four months trade bills 10⅜ per cent.

Approximate selling rate for one month Treasury bills 9 31/32-10 per cent; two months 9 13/16-9⅞ per cent; and three months 9 9/16-9 11/16 per cent. Approximate selling rate for one month bank bills 10 per cent; two months 9⅞ per cent and three months 9 13/16-9¾ per cent; trade bills 10 7/16 per cent; two months 10 5/16 per cent and three months 10 3/16 per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 11½ per cent from April 1 1983. London and Scottish Clearing Bank Rates for lending 10 per cent. London Deposit Rates for sums at seven days' notice 6¾ per cent.

Treasury Bills: Average tender rates of discount 9.7566 per cent. Certificates of Tax Deposit (Series 6). Deposits of £100,000 and over held under one month 10½ per cent; one-three months 10¾ per cent; three-six months 10¾ per cent; six-12 months 10¾ per cent. Under £100,000 10 per cent from April 8. Deposits held under Series 3-5 10¾ per cent. The rates for all deposits withdrawn for cash 8 per cent.

INTEREST RATES

EURO-CURRENCY INTEREST RATES (Market closing rates)

[illegible]

FT LONDON INTERBANK FIXING (11.00 a.m. APRIL 18)

[illegible]

MONEY RATES

[illegible]

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on April 18 1983. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviation: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (cn) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.17
Algeria	Dinar	(A) 7.3450
Andorra	French Franc	11.51
	Spanish Peseta	212.5
Angola	Kwanza	(CM) 46.684
[illegible]	[illegible]	[illegible]
Greenland	Danish Kroner	13.686
Granada	E. Caribbean $	4.22
Guadaloupe	Local Franc	11.51
Guam	U.S. $	1.5615
Guatemala	Quetzal	1.5615
Guinea Republic	Syli	34.45
[illegible]	[illegible]	[illegible]
Peru	Sol	(exc)(A)2,011.82
Philippines	Philippine Peso	15.06
Pitcairn Islands	£ Sterling	—
	New Zealand $	2.3695
Poland	Zloty	132.55
[illegible]	[illegible]	[illegible]

Authorised Units—continued

[illegible]

Insurances—continued

[illegible]

Offshore and Overseas—continued

[illegible]

FINANCIAL TIMES SURVEY

Pakistan

CONTENTS

Six years after coming to power General Zia is still searching for the compromise between autocracy and democracy he needs if he is to survive as president. It is however on the economic front that he faces his most immediate challenges

Uncertain path ahead

By ALAIN CASS, Asia Editor

IMAGINE a small country. It lies wedged uncomfortably between two hostile powers, one to the east, the other to the west. To the south is the open sea. To the north a mighty barrier of snow-capped mountains.

The country is irrigated by a single, great river which cleaves it in half. Beyond its western banks lies rugged and inhospitable country, barely within the writ of the capital. There are four disparate provinces, divided by language, ethnic origin and a tribal structure still largely rooted in feudalism.

The country is ruled by a military autocrat who survives through a mixture of guile, force and a curious sixth sense which keeps him one jump ahead of the opposition. Good harvests and gifts from friends abroad have helped.

But he has problems. The menacing war to his west threatens to spill over his borders. His traditional enemy to the east poses a nagging threat. He has to spend nearly half the country's income on defence. Education, the bedrock of progress, receives scant attention. The vast majority of his people are illiterate. Many are resentful, some hostile, to his rule.

It seems remarkable that, under such circumstances, President Zia ul-Haq of Pakistan has survived for nearly six years. It may, as he says, be thanks to the hand of God. But there must be times when this soldier, who is both self-deprecating and ruthless, zealous and pragmatic, wonders for just how long he can keep going on borrowed time and borrowed money.

Skilful

So far he has been fortunate, skilfully making the best of the country's assets and minimising its weaknesses. The economy is kept afloat by a combination of good fortune and good luck. The opposition is divided or silenced. There is an impression of calm and progress. The multilateral agencies lend money. Business is being done.

On the international front President Zia has made a friend of the U.S. to the tune of $3.2bn in arms and economic aid. He remains firmly committed to Pakistan's ties with China and, more recently, has begun to flirt with the new Soviet leadership in the hope that the few, meagre hints from Moscow that it wishes to find a way out for its 100,000 troops in Afghanistan point to a genuine desire for a political solution.

Internally he has consolidated his own position within the armed forces. He has scattered the political opposition—using martial law more as a broom than a cudgel—and begun to grope for a constitutional structure suited to a country which has agonised over its identity since partition from India in 1947.

Believing, also, that Islam is the only glue which holds Pakistan together this devout Muslim, who recalls with horror the sectarian violence which accompanied partition, has initiated a fundamental transformation aimed at creating an Islamic state.

It is a delicate balancing act performed against an uncertain international backdrop. Beyond the turmoil in Afghanistan, the instability in the Gulf—traditionally a source of political and economic support for Pakistan—is compounded by the fall in world oil prices. The sharp deterioration of relations between the U.S. and China—both friends of Pakistan—and the gradual rapprochement between Moscow and Peking can only add to the uncertainty and underline the need for stability rooted in a distinct sense of nationhood.

President Zia ul-Haq: self-deprecating but ruthless, zealous and pragmatic.

President Zia has tried to make friends with India, with whom Pakistan has been to war three times in as many decades, only to find himself entangled in a web of mutual suspicion and hostility.

The illusion of progress fostered by sophisticated bureaucracies in both countries is consistently undermined, in the first place, by a belief in India that Pakistan is bent on revenge for its past defeats and a fear, in Pakistan, that the Indian leadership cannot reconcile itself to the existence of an Islamic state on its borders.

The furious pace of rearmament by both sides and the suspicion, fostered by the international community, that Pakistan is out to manufacture nuclear weapons both as a symbol of nationhood and as the only guarantee of its survival, are major obstacles to stability and progress.

It is a precarious existence and what happens next can only be guessed at.

The economy will only progress if development in the Gulf continues and the legions of Pakistani workers there remit their wages. Good harvests depend on good weather. Multilateral aid, already under pressure, will only carry on if the world economy pulls out of recession.

President Zia's bid to remain in power can only, ultimately, succeed if he finds a way of bridging the gap between autocracy and democracy.

Pakistan has never, except for a few years immediately following partition, been a democracy in the western sense—least of all in the last, frenzied years of the late President Z. A. Bhutto.

But no general has managed to withstand the upsurge of ill-will which rises, like a freak flood, if he cannot secure, at least, the tacit consent of the people.

It remains to be seen whether President Zia, sure-footed as he has so far proved, can reconcile his own belief that the army and Islam must become the twin pillars of Pakistan's existence with the need to give the people a voice.

Assuming that peace with India will come, if at all, at a snail's pace President Zia's major dilemma on the international front is what to do about Afghanistan.

The pressure, both financial and political, of some 2m Afghan refugees within Pakistan's borders is enormous. Their presence, due to the effects of the Soviet invasion of Afghanistan in 1979, is also, however, a source of benefit to Pakistan. It prompted the U.S. to come up with a major arms and economic aid package and remains a continuing cause for sympathy and support from elsewhere, notably communist China and the Islamic states of the Gulf.

Recently, however, the new Soviet leadership has hinted at a political solution to the Afghan problem and there are signs that President Zia's regime would not be averse to reaching a mutually acceptable compromise with Moscow which resulted in the return home of most Afghan refugees, the withdrawal of most — though not necessarily all—Russian soldiers and a secure and recognised border with Afghanistan.

Pakistan is currently engaged in indirect talks with the Russian-backed regime in Kabul, through the auspices of the United Nations. The dilemma will become acute if these talks reach a point where a deal is possible with Moscow based primarily on Pakistan's national interests which the U.S. finds distasteful.

Remote though this possibility may be—primarily because of the unlikelihood of finding a stable government to rule in Kabul acceptable to the refugees—it is not beyond the bounds of possibility.

Reluctance

Meanwhile President Zia is looking for ways of accelerating the rate of economic progress. He is faced with formidable problems. The official rate of literacy (24 per cent) is almost certainly optimistic and is, in any case, half that of countries with similar per capita incomes in the developing world. "We cannot build the edifice of a modern society on such an illiterate base" is how one of President Zia's own ministers put it. Neither, he could have added, can they with a birth rate close to 3 per cent a year.

There is a growing energy gap, a critical lack of infrastructure and an understandable reluctance on the part of big business to invest in capital-formation. These problems are compounded by a drop in the rate of growth in workers' remittances. The balance of payments will be under strain for the foreseeable future.

But there have also been visible signs of progress. Since 1977, as the World Bank points out in its latest report, Pakistan's overall economic performance has improved considerably. Real growth has averaged over 6 per cent a year, tight management of the economy has reduced budget deficits, inflation has fallen, agricultural production has improved and the private sector has been given an increasingly bigger role.

The next few months are likely to see a further attempt to loosen the bureaucratic strait-jacket, which has traditionally stifled the incentive to invest, as the sixth five-year plan is finalised. A major attempt is to be made to bridge the energy gap and broaden the country's small industrial base.

With more good luck and continuing good judgement President Zia may be able to set the country on a stable course for the next decade. It will not, however, be easy nor is it certain. But, as one western diplomat put it, "it's a good each way bet."

BASIC STATISTICS

AREA:	803,943 sq km
POPULATION	
Total:	87.1m
Density:	104 per sq km
Birth rate (per 1,000):	44
Death rate (per 1,000):	14
CURRENCY	
19.40 rupees=£1	
12.90 rupees=$1	
WEALTH (1981/83)	
GNP:	$31.6B
GNP per capita:	$350
Gross national savings:	$3.70
Exports:	$3.03
Imports:	$6.51
LABOUR FORCE	
Agriculture:	13.5m
Industry:	5.2m
Services:	7.9m

Source: World Bank

Why the Government must move quickly on energy

A GROUP of industrialists in Karachi recently took the highly unusual step of appealing directly to President Zia-ul-Haq in a newspaper advertisement to save the country from what they described as an energy crisis of "cancerous proportions."

Industries are being forced, they said, to curtail production for up to 16 hours a day. The matter was one of "grave urgency."

What they had to say cannot have come as news either to President Zia or his economic advisers who are fully aware of the situation.

A recent study suggested that unless major new investments were made in natural gas the gap between supply and demand could grow to 40 per cent by the middle of the decade. Nearly 43 per cent of Pakistan's energy needs are supplied by natural gas.

COMMERCIAL ENERGY SUPPLY
(trillion KJ)

	1978/79	1981/82*	1982/83†	Annual growth % 1980/81-1981/82	Annual growth % 1981/82-1982/83
Petroleum products‡	182.5	221.0	237.0	2.7	7.2
Natural gas	181.5	260.7	280.7	6.3	0.0
Coal	27.4	32.3	33.6	6.7	0.9
Hydroelectricity	86.7	100.1	126.6	7.4	26.5
LPG	1.6	2.2	3.5	15.8	59.1
Nuclear	1.0	1.9	1.6	—	—
Total	490.7	619.2	663.0	5.3	7.1

The conversion rate to BTU is 1.055 KJ.
* Preliminary.
† Government targets.
‡ Excluding exports and non-energy uses.
Sources: Ministry of Petroleum and Natural Resources and Planning and Development Division.

Disincentive

The major disincentive to investment in this, Pakistan's biggest energy asset, has been the unrealistically low well-head price. This has been compounded by an equally unrealistic price paid by the consumer creating a vicious circle of excessive demand and diminishing supply.

Mr Mukhtar Masood, Secretary of the Ministry of Petroleum and Natural Resources and Chairman of the Government's working group on energy, made the point in a memorandum to the regime, accompanied with some tough recommendations.

"The energy crisis is going to stay," he said. "Government has to face it and the people have to get used to it. There is no short cut except conservation. There is no solution except heavy investment."

Mr Masood is a rare breed—a civil servant who speaks his mind. His recommendations are certainly tough and, if implemented in full (which is unlikely) will not win President's Zia's regime any marks for popularity.

They include:

● Cutting back sharply on Pakistan's gas consumption.
● Raising energy prices.
● Introducing mandatory annual energy audits for industry.
● Penalising wasteful energy users.
● Shaking up the existing government energy departments and creating a new Energy Ministry.

Whether or not the Government decides to be as tough as Mr Masood suggests, it must, within a year at the latest, decide how to invest its limited resources to bridge a gap which is becoming alarmingly wide.

The sixth five year plan is likely, according to officials, to devote between Rs 100bn and Rs 115bn to energy investment.

Pakistan's biggest gasfield, at Sui, is already 25 years old and requires new investment in compressors for which the World Bank has already offered a $140m loan.

Pakistan's total production of 800m cu ft a day will have to be raised substantially although total reserves are estimated at around 10 trillion cubic feet. While not enormous by world standards, this should be sufficient to provide the country's small, but growing industrial base with a secure source for the foreseeable future.

The Soviet Union has offered to help produce liquid gas at Dhodakin Baluchistan. The Government will have to decide whether to accept Moscow's offer or ask France (the other bidder) to help exploit the available gas condensate — an area in which Pakistan has insufficient experience.

New investment is likely to be accompanied with a further rise in prices — currently less than one-tenth of equivalent world prices — and a cutback in gas connections to consumers. These have already been cut by half in the current year from 100,000 to 50,000.

Pakistan imports 90 per cent of its oil. Its efforts to persuade foreign companies to invest in exploration have virtually ground to a halt. Shell International are likely to pull out in July if their fifth well proves dry. Others already have and, so far, there have been no bidders for eight new blocks offered by the Government. Although oil was first found in Pakistan 70 years ago, production has only reached 10,000 b/d.

Pakistan uses oil for 36 per cent of its total energy requirements so the need either for conservation or major new investments is urgent.

Major problems in persuading foreign oil companies to invest in Pakistan at a time of sharply falling world prices have included the relatively unattractive contract terms — these are being revised — the extremely complex geological structures in many areas and the difficulties of dealing with a cumbersome bureaucracy.

Substantial investments are expected in thermal power plants over the next decade and the development of hydro-electric facilities at the Tarbelax and Mangla dams are being speeded up. Preliminary investigations for a third dam at Kalabagh are under way.

Willing

Immediately, however, the Government is faced with a choice between pouring money into its nuclear power programme or developing Pakistan's coal reserves estimated at some 640m metric tonnes. Pakistan's coal is of a low quality but some experts are arguing that the country would do better to develop this in stages with power stations at the coal face, rather than opt for the "quick fix" nuclear option.

France appears willing to offer Pakistan nuclear technology to build a second nuclear power station at Chasma, 150 miles south-west of Islamabad, in spite of the fact that Pakistan refuses to place all its facilities under international safeguards.

The Chasma power plant, which was given the go-ahead last year, is likely to cost up to $2bn, a sum which could only be afforded if Pakistan's Gulf Arab supporters, notably Saudi Arabia, agreed to fund large parts of the project.

The proposed 900 Mw plant would certainly give the grid a badly needed boost and some officials are arguing that Pakistan should develop both its nuclear and its coal potential.

The Government may decide to do this. Either way it is obliged to move quickly because the energy problem remains the single biggest obstacle to sustained economic growth.

Alain Cass

The battle to produce a food surplus

PAKISTANI planners propose to spend Rs 70bn ($3.693bn) on agriculture in the next five years. The hope is to make the country fend for itself in food and raw materials, and to create reasonably large exportable surpluses on a sustainable basis.

The effort will require a major input of advanced technology, likely to cost Rs 50bn in the five years from July 1.

A major portion of the technology package will have to be imported. It will include equipment for farm mechanisation, construction of major water projects, fertiliser units, pesticides plants and aircraft for pesticides spray as well as agro-services. Seed treatment plants to ensure quality, and a wide range of research and development services are also required. Some foreign credits to finance import of tractors, machines and chemicals, will be needed.

The heyday for farming was during the British Raj in the subcontinent. The area new comprising Pakistan exported a great of cotton and wheat to Britain and elsewhere. But in the 35 years since the country's independence agriculture has been in the doldrums and the population has overshot food production.

Some impressive advances have been made in rice and cotton farming in the past 15 years. However, both cotton and rice prices have varied considerably in the world markets and the shortage of food has remained.

Agriculture contributes 30 per cent to the Gross Domestic Product, employs half the workforce and contributes half of export earnings. Spells of large farm production have coincided with overall economic growth. "It is extremely difficult to maintain a satisfactory economic growth unless it includes a sizeable expansion in agricultural production and yields, says Dr Moinuddin Baqai, Permanent Secretary at the Ministry of Planning.

In the past five years, the farming sector growth was 4.5 to 5 per cent a year. This year Pakistan is producing an all-time high of 12m tonnes of wheat, 4.83m bales of cotton, 3.43m tonnes of rice, 36m tonnes of sugar cane and 0.96m tonnes of corn. Edible oils, lentils, potatoes, onions, vegetables, citrus, mangoes, bananas, apples and other fruits are also grown.

In recent years the cropped area has been enlarged and yields improved. This in part is due to the application of more modern inputs along with an increase in farm gate availability of irrigation water from 89.44m acre feet five years ago to 96m acre feet in 1981-82.

Two years ago, Pakistan changed from a wheat-importer to an exporter, with the first consignment of 50,000 tonnes going to Iran. More wheat is being exported to Iran and Bangladesh this year. The country has been exporting sugar now for a year, but does not see a long-term potential in the commodity, as its cost of production is nearly double the world market rates.

The farming sector has three trouble spots straining the balance of trade. Annual imports of edible oil cost $275-$300m, tea $110-$120m, and powdered milk $45-50m.

Demand for all three deficit items is growing but there are hardly any plans to replace imports of them.

Pakistan farm exports now exceed imports by $100m-$200m a year but the Government plans to increase this figure to $1bn by 1988.

The present sixth plan of the water resources development scheme is estimated to cost around $25bn. The key elements of the plan are:

● Construction of a multi-million dollar dam over the River Indus at Kalabagh with the aim of both storing water and generating power.
● A $100m rehabilitation of canals and water courses.
● Use of underground water.
● Control of salinity and water-logging.

Selective

Mr *Mohammad Fazil Janjua*, Minister for Food and Agriculture, says that a selective mechanisation programme will be initiated to supplement labour in order to increase intensity of yields. Its main feature will be the import and manufacture of tractors below 30 hp. An estimated 5,000 to 15,000 tractors will be needed annually. Most will have to be imported initially.

The Government is keen to give the private sector a major role in farm-related services and agri-business as it has in many cases proved to be more effective than the *public* sector.

The Government wants the agro-services companies to grow in size and scope. "We will want them to own large fleets of equipment so that they can move on to a farm, whenever asked, and provide the desired services," officials say. The Government's farm credit banks will pay the companies for the services, and debit money as a loan to the farmer.

Research and development continues to be a problem. Small research outfits, scattered all over Pakistan, are ill-equipped, poorly manned, and most of the time engaged in feuding between themselves or with the Government. They have failed to produce any significant results.

Despite a lot of noise the centralised Pakistan Agricultural Research Council in Islamabad is still bracing itself to tackle the massive problems for which the farmers urgently need solutions in order to protect their crops, raise yields and improve quality of the produce.

On the overall prospects for Pakistani agriculture the planners and scientists are cautious. "The scope for a relatively easy agricultural growth must be regarded as being fairly limited," one of them says. "It will be difficult to attain higher yields without a considerable increase in supporting instruments and the institutional networks."

Mohammed Aftab

John Elliott reports that the country's apparent economic success is based on fragile foundations

Buoyancy aided by external factors

THREE factors have kept the Pakistan economy in a buoyant state in recent years. There have been good harvests. Pakistan workers employed in the Middle East have sent home remittances of over $2bn a year. There has been a flow of substantial aid from the International Monetary Fund, the World Bank and other sources.

Without any one of these props the economy, which is already vulnerable, would become even more fragile. The Government is therefore concerned about the prospects as it finalises ambitious targets for its sixth five-year economic plan.

Harvests cannot be guaranteed. The decline in Middle East construction work and the falling price of oil could reduce the demand for Pakistani workers overseas. Other countries may not be prepared permanently to provide all the aid that is needed.

For the time being, however, there are no immediate crises in prospect. The foreign workers' remittances have helped to create an aura of a comfortable consumer society, with modern Japanese cars on the roads and electrical goods in homes. (Even in villages which do not have electricity, the possession of an imported video recorder or television is a badge of success.)

Superficial

The Government's attempts to turn this superficially prosperous economy into a firmly based agricultural and industrial society faces problems. The balance of payments position has worsened, economic growth is slowing slightly and inflation is widely believed to be well above the Government's official 5 to 6 per cent figure.

The private sector of industry has yet to respond to government policies with substantial investment, although there are signs of an increase.

The most significant prop in political terms is the U.S. package of defence and development aid totalling $3.2bn over five or six years. The annual tranches from the U.S. form part of the package provided by countries in the aid to Pakistan consortium who meet in Paris this week to agree terms for the future.

Together with aid from other sources (see below) this money helps to fund much of Pakistan's development, while also providing urgently needed foreign exchange. A heavy repayment burden means that about 75 per cent of the aid received each year has to be used to service debts.

In economic terms the main prop is the IMF's extended facility of $1.5bn over three years which runs out this autumn, having provided essential support for the country's balance of payments.

Mr Ghulam Ishaq Khan, the veteran civil servant who has been Finance Minister since the present regime came to power, is adamant that he does not want to ask the IMF for another facility.

"We have no intention of going back to the IMF this summer," he says. "That is not to say that our balance of payments troubles are over and I am not ruling out the possibility; but as of now I see no need to go back for another extended facility."

The country's balance of payments deteriorated in the financial year July 1981-June 1982 because of a 17 per cent decline in exports and slower growth in migrant workers' remittances.

Although the country has become more than self-sufficient in food and is planning a major expansion of agricultural exports to transform its balance of trade in the future, low international commodity prices have hit exports. It has been left with uncomfortably large stockpiles of 500,000 tonnes of sugar, and a similar surplus of wheat is feared. Cotton exports have slumped by 49 per cent and rice by 30 per cent.

Now there is a $1.3bn current account deficit which is reduced to $200m when gross aid income is taken into account. But despite record levels of reserves exceeding $1bn, there is only two or three months of import cover.

Conditions

Falling oil prices have helped ease problems because petroleum accounts for one-third of total imports and 90 per cent of the country's crude oil is imported. The fall in the value of the rupee by over 20 per cent since its link with the dollar was broken 15 months ago has also eased problems. The floating of the rupee was one of the conditions laid down by the IMF in return for its loan.

The falling value of the rupee has also helped to counteract a reduction in the rate of growth of foreign remittances, boosting them by over 20 per cent to well over $2bn in official foreign exchange.

The rate of overall economic growth has been good in recent years, averaging about 6 to 6.5 per cent a year. But this may now fall back to 6 per cent or perhaps a little less in the current financial year. Measured by international standards this is not a bad result, but it is considerably less than the Government's 6.7 per cent target for GDP growth.

The country is now debating its sixth five-year plan which comes into force this summer, and already ministers, are cutting back on projects in its early years because of economic constraints.

There has been a battle between Mr Ghulam Ishaq, who stresses he does not believe in rapid change, and Mr Mabubul Haq, the new Minister for Planning who last summer returned to Pakistan after 12 years with the World Bank in Washington to prepare the new plan.

Mr Mabubul Haq made his name ten years ago by condemning the "22 families" in Pakistan who it was said owned 80 per cent of the country's industrial wealth. That slogan helped pitch the Bhutto regime of the 1970s into a period of wholesale nationalisation which has left deep scars on the confidence and general outlook of leading Pakistani industrialists.

Now, however, Mr Mabubul Haq is firmly wedded to President Zia's policy of backing the private sector and curtailing public sector industrial investment. Many industrialists and businessmen in Karachi suspect that Mr Ghulam Ishaq, who has wide ranging powers as a close confidant of President Zia, is not so keen on relaxing controls on the private sector. He is also believed to have opposed IMF demands for import controls to be relaxed.

But the main clash between Mr Mabubul Haq and Mr Ghulam Ishaq has come over the extent to which the five-year plan should attempt to transform the country's rural and social infrastructure. Mr Mabubul Haq wants to raise the literacy rate from 24 per cent to 40 per cent in five years, to electrify 32,000 of Pakistan's 45,000 villages that have no electricity and to double the mileage of rural roads.

He wants to develop the backward regions of Baluchistan and the North West Frontier Province to help expand the country's net food exports from $100m to $1bn a year.

These plans are now being watered down, but the basic tenets of the policy remain. These are to switch public sector investment from industry to the social services, relying also on the private sector to bolster scarce infrastructure investment. Businessmen are being asked to form partnerships with the Government—for example to help finance a project to turn the major Peshawar to Karachi highway into a dual carriage way.

It is also being suggested that foreign workers' remittances should be put into collective funds for local authorities to use as part of the cost of electrifying villages and building rural roads. It remains to be seen whether private sector financial institutions will respond on the major projects or whether individuals will be prepared to divert their foreign earnings from consumer and family items like cars, electrical goods, and building houses to communal projects.

There is considerable potential in the country for foreign as well as domestic industrial investment. Potential interest from abroad is illustrated this week, both by a conference in London on the country's investment prospects and by a visit to Pakistan by an investment team from the U.S. There are also signs of increased investment from the Middle East.

To get the overall response it wants, however, the Government needs to do more to encourage its own industrialists to invest, partly by changing its taxation structure away from import and custom duties. It also needs to do more to encourage personal savings and to relax the bureaucratic controls exercised by Government departments and Government-owned banks.

Without such changes, and an improvement in energy supplies and infrastructure as well as a greater degree of political certainty for the future, the economy is unlikely to emerge into a period of stable and sustained growth.

EXTERNAL PUBLIC DEBT OUTSTANDING AT END OF 1981 (in dollars)

	Disbursed	Undisbursed	Total	Per cent
Suppliers Credits ...	143.1	33.2	176.4	1.5
Financial Institutions	368.1	62.9	431.0	3.8
Consortium				
Bilateral Members ...	4,642.5	410.6	5,053.1	44.2
Belgium	26.8	8.7	35.5	0.3
Canada	424.2	94.1	518.3	4.5
France	138.4	39.5	177.9	1.6
Germany	715.9	59.1	775.0	6.8
Italy	61.5	—	61.5	0.5
Japan	707.1	104.6	811.7	7.1
Netherlands	135.2	34.4	169.6	1.5
Switzerland	24.3	—	24.3	0.2
United States	2,409.1	70.2	2,479.3	21.7
Multilateral Agencies	1,585.7	1,256.8	2,842.5	24.8
Asian Develpmt. Bk	366.8	719.4	1,086.2	9.5
IBRD	310.1	32.1	342.2	3.0
IDA	908.8	505.3	1,414.1	12.3
Non-Consortium				
Opec	1,110.3	297.2	1,407.5	12.3
Iran	626.8	—	626.8	5.5
Libya	66.2	—	66.2	0.6
Saudia Arabia	336.7	133.3	470.0	4.1
Other lenders (including China & USSR)	964.2	568.2	1,529.4	13.4
Total	8,813.9	2,626.0	11,439.9	100.0

(a) Debt with a maturity of over one year, guaranteed directly or indirectly by the Government, including debt owed to private creditors.
Source: World Bank Debt Reporting System, based on detailed reports from the Government of Pakistan.

Mr Mabubul Haq, Minister for Planning (left) and Mr Ghulam Ishaq Khan, Finance Minister: battling over how fast Pakistan should modernise

The $2.5bn earnings of workers abroad

BETWEEN 2m and 3m Pakistanis are believed to be working abroad. The remittances they send home, approaching $2.5bn, according to official estimates, is roughly equal to the country's earnings from conventional exports.

The total value of the remittances is considerably higher if the cost of consumer goods and cars paid for with the foreign workers' money is included along with money channeled through unofficial sources.

But Pakistan cannot rely on this income indefinitely. Mr Mabubul Haq, Minister for Planning, says it is "a highly uncertain market for the next few years."

The flow of labour abroad also creates skill shortages in Pakistan companies. The Ministry of Labour is conducting a survey of the net benefits and losses to the economy. It is also spending $43m on training schemes to increase the skills of workers in Pakistan and to raise the level of skills that can be offered to Middle East employers.

Efforts are also being made to persuade Pakistanis working abroad to invest in Pakistan industry, either in industrial estates set up by the country's Overseas Pakistan Foundation, or in the workers' own villages.

U.S. the biggest known contributor

Aid provided by most major countries

MOST major countries provide aid to Pakistan. This is done either individually on a bilateral basis or through international organisations such as the World Bank and the Asian Development Bank. The U.S. and Japan provide the most for development purposes through the Aid to Pakistan Consortium of Countries which has pledged a total of $1.1bn in the current Pakistani financial year ending in June.

Over the medium term aid is dominated by a US$3.2bn five- to six-year package agreed in 1981 to be split approximately on a 50-50 basis between arms and economic development, and a five-year World Bank programme averaging approaching $300m a year. Another major donor is Saudi Arabia. The Islamic world is a major source of funds.

Refugees

In addition, aid for feeding and supporting the country's Afghanistan refugees officially totals some $300m. This comes from various sources and Pakistan provides another $300m itself.

The purpose of the development aid is to provide cash for commodity purchases and projects, and in particular to provide foreign exchange for goods which are bought abroad. Virtually every project started in Pakistan, ranging from experimental solar energy installations and road-making machinery depots in rural areas to cement plants, tractor factories and power stations, is based heavily on the aid.

The donors involved often insist that purchases are made from their own countries, so limiting international competition and, occasionally, preventing a Pakistan manufacturer from bidding for an order.

According to an estimate by one Pakistani industrialist, this system can add up to 30 per cent to project costs because the cheapest potential bidder is often ruled out.

The U.S. economic development aid of $1.6bn over five or six years is split on a two-to-one ratio between grants and loans. It will eventually average $266m a year, subject to annual approval by the U.S. Congress. The total includes approaching $1bn for agriculture including $300m each for equipment, fertilisers and edible oil. Another $200m is earmarked for energy projects and $100m for management training.

About $65m is to be spent on regional projects such as developing the desert regions of Baluchistan, adjoining Afghanistan, and trying to divert the economic base of the North West Frontier Province away from primary reliance on the production of opium.

The rest of the aid package put together by the Consortium Countries, which include the UK, is led by Japan, the biggest donor from 1979 to 1981 after the U.S. had stopped authorising new aid because of Pakistan's nuclear activities. According to Japanese figures, it was then supplying 40 per cent of Pakistan's bilateral aid, a proportion which has declined as the U.S. and other countries have stepped up their support following the Russian invasion of Afghanistan.

Japan has pledged about $155m in the current financial year which includes loans of $40m for a diesel electric locomotive manufacturing factory and $20m for satellites and telephonic exchanges.

Irrigation

The World Bank's $270m in the current year includes about $90m for energy projects, $50m to $60m each on urban developments and rural irrigation, and a slightly smaller sum on railway projects. In line with the Government's five-year plan, future aid will be concentrated on agricultural and energy developments.

Other aid officially totalling at least $100m (but thought to be far larger) is provided by Pakistan's Islamic allies and Opec countries in the Middle East. A further $100m comes from countries such as Romania, China and Russia.

But the net worth of much of the development aid is reduced by about 75 per cent because Pakistan has had to service heavy aid debts which now total $9bn and would alone take 10 to 15 years to repay.

There is also some doubt in Pakistan about how much of the aid is actually spent on projects and how much is absorbed unofficially by officials and contractors, even though all the aid organisations insist they monitor their donations effectively.

J.E.

NAB-85

John Elliott reports on hopes for industrial growth

Emphasis on the private sector

THE GROWTH of Pakistan's manufacturing industry during the next two or three years will depend primarily on the willingness of the private sector to invest and on the impact of the country's first steel mill at Pipri near Karch Karachi.

A surge of private sector investment and a steady flow of good quality steel could have a major catalytic effect, providing this was also backed up with increased support from the Government and an improved infrastructure service.

The Government's policy is to switch the burden of industrial investment from the public to private sector and this is beginning to have some impact. But overall Pakistan is still suffering seriously from its poor industrial legacy at the time of the partition of India, and from the widespread nationalisation policy of the Bhutto regime in the 1970s.

Many industrialists and small businessmen who lost businesses either during the creation of Bangladesh or because of the Bhutto nationalisations insist that they are still loathe to become too involved in new industrial investments because they fear they might lose their assets again. The risk is believed by businessmen to be possibly less serious for foreign investors because the Bhutto regime did not tamper with foreign-owned companies.

Industrialists and other businessmen are also far from happy with the record of the present Government. "There are too many government controls. The policy is all lip service with few real changes. The Government leaves the decision making to the low levels in the bureaucracy where people have narrow perspectives and impede industry," says one businessman.

While some businessmen disagree there are general complaints that the Government has not de-nationalised enough industry and has not abolished labour laws which make it extremely difficult to sack workers. Labour relations have improved since the days of the Bhutto regime, but productivity is hit by excessive over-manning.

The Government appears to have abandoned hopes that it can denationalise wide areas of industry, having been told by private sector industrialists that its terms for them to take back their old companies, which straddle most of manufacturing industry, are not generous enough. Now the Government is aiming to give priorities wherever possible to the private sector and to encourage partnerships—sometimes called privatisations"—between the public and private sectors.

Public sector investment has not been entirely frozen. Some $400m will have to be spent in the coming year completing projects started by the Bhutto regime such as the Pipri steelworks and Port Qasim near Karachi and repairs to the Tarbela dam. A further $50m to $60m will be spent modernising state-owned companies which are grouped into seven corporations covering areas such as chemicals, fertilisers, cement, automobiles, engineering, oil and petrochemicals and steel.

Improvements

Lt Gen Saeed Qadir, the Minister for Production, is credited with making significant improvements in the industries' management and efficiency, but many factories are working 30 to 40 per cent or more below capacity and are producing returns on assets of under 2 per cent.

In the private sector, foreign investment is encouraged but is only building up slowly. There is no statutory limit on foreign equity stakes, but foreign businesses which set up in competition with a local concern have to produce considerable exports. They are also expected once they are well established to dilute their holdings when carrying out major expansions.

The Government is also insisting that its own nationalised concerns, and any new private sector manufacturing ventures, include plans for rapidly moving from assembly of imported parts to a local manufactured content of 70 to 80 per cent or more.

In total, the Ministry of Industry says that sanctions for $4bn of industrial investment have been agreed in the past five years. But only about 25 to 33 per cent of these projects are going ahead at present.

Nearly 30 per cent of those in progress involve fertilisers, polyester, synthetics, and other chemicals, and the 16 per cent are in textiles, and 22 per cent are in cement or glass. There is also a thriving—and often unofficial and unregistered—small sector.

The biggest single investment since the present Government came to power is a $63m ICI polyster plant on the Sheikhupura road outside Lahore. This road is one of the fastest growing industrial areas in Pakistan and includes new tractor, glass and chemicals plants.

There were hopes two or three years ago that the ICI project would act as a catalyst for other major investments. This has not happened but there are signs of old business families developing some projects.

The Packages group of Lahore, for example, owned by the Wajir Ali family, is investing $60m in its paper and board and other interests.

The Adamjee family in Karachi is investing about $150m over five or six years according to Mr A. G. Adamjee, a senior member of the family. He is specially interested in electronics, plastics, automotive parts and construction.

The Habib family of Karachi is also investing in the automotive industry and in a foundry.

In Lahore, Mr M. M. Siddiq, a Pakistani living in the Middle East, is investing money from his Qatar company totalling $45m over two or three years. He has a glass bottle and tableware factory in production on the Sheikhupura Road and has plans for plate glass, tissue paper and packaging plants.

In Rawalpindi the Fauji Foundation, which is an industrial company based on ex-servicemen's welfare funds, is expanding into electronic cement, fertilisers and solar energy.

Key areas of Pakistan industry are:

Key sectors

STEEL: The country's first steelworks is slowly entering production. Costing $2.5bn, it is located at Pipri near Karachi and is Russian designed. Subject to government approval it hopes to produce 1.1m tonnes a year by late next year at prices comparable to landed import prices. Russia last month agreed in principle to help the private sector build various downstream projects including a $180m tinplat plant.

AUTOMOTIVE: Tractor plants are being set up by: Fiat with the Habib family; IMT of Yugoslavia with Associated Industries of Lahore; Belarus of Russia with Facto of Karachi (which is also bidding for downstream steel projects); Ford with the Haroon family's Allied group. These are in addition to an existing Massey Ferguson plant in Lahore, run by Millat Tractors.

Suzuki is setting up a small car and van plant with Paco and Ford is discussing a truck project with the Haroon family. Hino of Japan is also linking with Paco and Al-Futtaim of the UAE for a projected truck, bus and jeep factory.

TEXTILES: Cotton textiles are the largest industry but the organised mill sector, which is located all over the country, has been in steep decline. It is now hoping for tax concessions in the June Budget to help fund a revival.

The cottage industry has thrived in both cotton textiles and in carpets which has been a rapid growth—though some times troubled-sector. There are over 22,000 carpet manufacturers mostly in the Punjab, and 335 exporters.

CEMENT: The Government hopes Pakistan, which has an installed capacity of 4.5m tons a year, will soon be self sufficient. All plants were nationalised into the State Cement Corporation in 1973 but new private sector ventures are now being set up.

John Elliott profiles two public sector companies whose managing directors have contrasting views on the importance of profits to the success of their businesses

Shaking free of the Government

"MY MOTIVATION is to run a state-owned company that makes enough profits to give me freedom to manage the business without government interference" says Mr Ehsan Ullah Khan, managing director of Millat Tractors, a public sector company in Lahore.

Millat produces Massey-Ferguson tractors and last year almost doubled its pre-tax profits from Rs 27m ($2.12m) in 1980-81 to Rs 46m in 1981-82. Unlike almost all manufacturing companies, it is operating above capacity, producing 12,000 tractors this year in a factory designed for 10,000.

It was also named in 1980-81 as the top Pakistani company by the Karachi stock exchange where its shares are quoted. (Approaching 30 per cent of its shares are owned by the general public. Another 50 per cent are held by government-owned financial institutions and 20 per cent by the state-owned Pakistan Automobile Corporation.)

Mr Ehsan Ullah is a former civil servant who is proud of the role the public sector can play. "In Pakistan as in most developing countries, the private sector is dominated by family-owned businesses. Those families always want to build for their own families and so they develop very slowly. I have done here in three years what the private sector would do in 10.

"And I am doing more to develop the private sector than private sector manufacturers would do by encouraging companies to provide me with components."

Nationalised

Originally called Rana Tractors and Equipment, Millat started in 1966 with a licensing arrangement from Massey-Ferguson of the UK to assemble and manufacture tractors and farm implements. It was nationalised and renamed in 1972 by the Bhutto Government, but had made little progress by the mid-1970s.

In line with government policy, Millat has dramatically increased the proportion of components made in Pakistan for its main product, the MF240 tractor. Measured by cost, the proportion of locally manufactured items has risen from virtually nil in 1978 to over 30 per cent. Another 10 per cent are under development and Mr Ehsan Ullah's ambitions target is 70 per cent within a year or two.

Components are being obtained from Millat's own plant, from other public sector factories and from private sector companies which vary in size from four or five employees (quite often boys aged 12 or over) to 150.

Progress is hampered by local suppliers lacking experience in manufacturing specialist parts and by them making promises that are often not kept. Quality is also often poor.

Foreign manufacturers often resist such local-manufacturing plans. Mr Ehsan Ullah believes Massey-Ferguson's recent co-operation has partly stemmed from its reliance on Millat for a substantial slice of its turnover during the Canadian-based group's financial problems.

"I am happy when these multinationals are in trouble because they listen to me and do what I want," he says. "In the past two years Massey would not have done so much to help on local content if they had not been in trouble."

Aiming to boost self-sufficiency

"THE DRIVING force in this company is never making a profit. We were orginally created for import substitution and to provide the country with industrial self-reliance, not to make profits," says Mr M. Zaheer Khan, managing director of the government-owned Heavy Mechanical Complex.

HMC is located at Taxila near Islamabad, alongside a sister company called Heavy Foundry and Forge. Conceived in the rapid growth years of the 1960s and built with Chinese aid and plant, both factories are huge. They were designed to meet the needs of both East and West Pakistan before the creation of Bangladesh, feeding on the output of the Pipri steelworks which is only now nearing completion 20 years later.

Well equipped

Both factories are well equipped with Chinese machinery of the period which has never been fully utilised. Both have regularly produced poor results. Foundry and Forge, opened in 1978, is still operating at only about 30 per cent of its potential capacity and, with a labour force of 2,000, is making a $750,000 annual loss.

HMC has been making rapid progress in the past couple of years, having belatedly improved its management, labour relations and factory organisation. It was operating at 35 per cent capacity a couple of years ago, but the figure is now over 70 per cent. Turnover is expected to more than double from about $20m to over $40m this year, with profits rising to $800,000.

It suffers from the exodus of Pakistani workers to the Middle East and has a labour turnover of 30 per cent annually in its 4,400 workforce.

One of its first products was a Chinese-designed road roller. This was followed by sugar plants developed with Polish help. U.S. companies helped it to start building cement plants and it also produces Pakistani-designed industrial boilers.

It also makes overhead travelling cranes and vibrating rollers to Czechoslovakian and Japanese designs. Recently it linked up with Coles Cranes of the UK to make mobile cranes and it hopes to increase the local content of these from 30 to 50 per cent if orders build up.

HMC is now looking for exports, especially in the Middle East, and is also considering home orders for oil rigs and small hydro electric projects. Mr Zaheer's motivation is to beat import competition which is specially strong from Japan, and to launch sufficient new products at appropriately low prices to build up sales and fill his vast factory.

"Our prices structure is not designed to look for profits. We are aiming for self-reliance and we want to have a catalytic impact on Pakistan industry, improving the flow of technology transfers into the country. Having done that, it is enough for us to break even without receiving any subsidies from the Government."

هكذا من الأصل

Trade gap likely to remain large, says **Mohammed Aftab**

Slow progress on imports cuts

PAKISTAN IMPORTS outweigh exports 2:1. The ratio is unlikely to change in the next few years. Herein lies one of the country's major economic problems.

The demand for plant, machinery, and raw materials projected to grow faster during most of the sixth five year plan. The plan's launching date is July 1, which coincides with fiscal year 1983-84.

Pakistan's imports in 1980-1981 fiscal were Rs 53,544m ($4,150.7m), and exports Rs 29,279m, leaving a deficit of Rs 24,264m. The situation worsened in 1981-82 as imports rose to an all-time high of Rs 58,564m while exports slumped to Rs 26,042m, leaving a trade gap of Rs 32,522m.

The latest projections by the Ministry of Commerce show that the gap will be the largest-ever in 1982-83 when it is likely to touch Rs 38,000m, or even Rs 40,500m. In the six months to December 1982 (which cover the first half of the fiscal year) the imports already are as high as Rs 32,877m, while exports have crawled to only Rs 12,623m—a trade gap of Rs 20,254m.

Modernisation

The normal growth in demand, a major increase in the price of imported crude, and the continued heavy import of edible oil, fertilisers, steels and some capital goods required for balancing and modernisation, have combined to push the import bill up over the last several years. Industrial raw materials continue to be a major category of imports.

Pakistan's long range hopes to narrow the gap are pinned on larger domestic production of a variety of goods to replace imports. Izharul Haq, Secretary, Ministry of Commerce, says the newly attained self-sufficiency in wheat, sugar, pig iron and coke will be a major factor, if it is sustained, in slashing the import bill.

The current import of 1.7m tonnes of steel a year is planned to be reduced by 1m tonnes a year when the Soviet-built steel mill at Karachi goes into full production by 1985 or 1986. Production of more cement, which is still partly imported, and an enormous effort in growing edible oils domestically, are other elements which will make Pakistan meet more of its needs internally.

In the first few years, even enlarged production of these key commodities can only restrain the total imports from growing. If self-sufficiency comes it will certainly take many years to achieve. It is quite likely that it will not occur before the end of the Sixth Plan in June 30, 1988.

While progress on reducing imports is slow, an increase in exports is definitely being achieved. Exports in 1978-79 of Rs 16,925m rose to Rs 23,410m in 1979-80, and to Rs 29,279m in 1980-81 before slumping to Rs 26,042m in 1981-82.

Export of primary commodities like raw cotton, raw wool, fish, rice, hides and skins, fruit, vegetables and spices, accounted for 32 to 40 per cent of overall exports during the last three years.

The value of semi-manufactured goods like cotton yarn, tanned leather, molasses and oil-cakes varied from 20 to 11 per cent in that period.

Manufactures have accounted for nearly 45 per cent of the overall exports. The key items among manufactures are cotton fabrics, woollen carpets, textiles of man-made fibres and surplus petroleum products like fuel oil and naphtha.

Exports have risen an annual 5.4 per cent in real terms over the past decade, while in current prices the growth was 27.2 per cent.

Business interests and the Government see several problems which beset a significant breakthrough in exports. Rice sales which rose to 1.2m tonnes, from a previous low-base of 40,000 tonnes annually, were the prime export in the last three years. Low yields make it difficult for that figure to be increased.

Fuel oil and naphtha, a by-product of imported crude refined in Pakistan, have recently been exported mainly to India. This is no longer likely because many Pakistan industrial units are being forced to switch from natural gas to fuel oil.

A plus point in exports is that leather and textiles now have a higher value added. Leather-wear leather products and ready-made garments are now a high growth export. Textiles are going to regions other than Western Europe.

Yusuf Zia, President of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI), says: "Britain and the EEC continue imposing restrictions on our textiles. The other major export — hand-knotted carpets and rugs—is hit by recession."

Incentives

Engineering products, like sugar manufacturing plants, diesel engines, electrical transformers and fans, bicycles, and water coolers are being exported in small quantities to the Middle East and Africa. But the producers say they need incentives from the government in order to compete abroad.

They say they want cheaper and easier availability of bank credit, more research and development and a larger local market support to attain economies of scale. They see a considerable market potential in the Middle East, Africa and the Far East.

The biggest buyer of Pakistani goods is Japan which takes around 8 per cent of overall exports, according to the Federal Statistics Bureau. Other key buyers are: Saudi Arabia (7.44 per cent), the U.S. (7.28), China (5.99), the UK (5.19), Hong Kong (4.64), West Germany (3.91), Dubai (3.88), Italy (3.35) and Iran (3.16).

China and Iran offer most potential for the future as trading partners.

Exports to China were Rs 1,559m in 1981-82. These principally included cotton, made-up textiles, leather, and ships and boats. Chinese exports to Pakistan were Rs 1,891m in the same year, and included chemicals, paper and paper board, iron and steel.

Trade with Iran is helped by geography and the two countries' common religion — Islam. Exports to Iran were Rs 2,245m in 1980-81 but they declined to Rs 823m in 1981-82. The Government estimates are that with Tehran's recent purchases of wheat and sugar the total for 1982-83 will be Rs 2,000m.

Shipment of Pakistani goods to Iran, which include food, poultry, fruit and vegetables, and rice, is facing difficulties because the railway track over which these are carried is very old.

Iran also has very limited off-loading facilities, and a cumbersome customs check system, which ties up Pakistani freight trains for weeks and creates transport bottlenecks for Pakistan's domestic movement of goods.

Pakistani exports to India were Rs 962m in 1980-81 and these declined to Rs 601m in 1981-82. Cotton, fuel oil, naptha and pig iron were the principal exports. Indian exports of Rs 21.9m in 1980-81 to Pakistan mainly consisted of iron ore, farm products and chemicals. They rose to Rs 79m in 1981-82.

In spite of the fact that these two neighbours have slightly less than 20 per cent of the world's population, making a very large market, the trade between them is not likely to expand significantly.

India wishes to export a vast range of its low-priced consumer goods and consumer durables which Pakistan feels will hurt its own industry. At the same time, there is very little scope in the Indian import policy to buy similar goods from Pakistan.

Yusuf Zia, President of FPCCI, recently offered the visiting delegation of the Indian Chamber of Commerce and Industry some advice. He said the two countries should evolve policies which are "conducive to elimination of the colonial pattern of trade, whereby one country assumed the role of supplier of raw materials or semi-finished goods while the other catered for manufactured items only."

All trade with India is done through the State Trading Corps to keep the flow in check. Ghulam Ishaq Khan, Minister for Finance and Commerce says: "The private sector is allowed to negotiate all kinds of deals with their Indian counterparts, but the letters of credit can only be opened through the State Trading Corp." Officials in Islamabad see no immediate possibility of trade opening up for the private business.

John Elliott profiles Port Qasim and the industrial town Sialkort

Setting an exports example

LINES of children about 12 years old squat in groups filing the rough surfaces of small metal forgings. Older skilled men hammer a few inches of red-hot metal into pairs of scissors. Nearby craftsmen shape wooden sports equipment — including a revolutionary hook-shaped head for a new-style hockey stick.

The results of this work go almost entirely for export. They make the town of Sialkort, near the foothills of the Himalayas, a major centre for surgical instruments, sports goods and other craft work such as musical instruments and cutlery.

Sialkort's small industries are partially based on local woods and leather and partially on the skills of Muslims who emigrated from Amritsar, just across the Indian border, at the time of partition.

Both the main industries were started some 80 to 100 years ago to meet the needs of British residents. The sports goods industry allegedly started when a missionary's tennis racquet needed mending. The surgical instruments developed from a small village craft to meet the needs of the army, especially after supplies from German manufacturers were cut off in the 1914-18 war.

Now the surgical instruments are sold all over the world. But customers rarely know the origin of the goods because the country marking is usually imprinted by wholesalers in countries such as the UK and Germany. Businessmen in Sialkort explain that Pakistan does not have a good name for quality, so it is in their interest not to advertise themselves on their wares.

Commitment

The quality of the goods is a problem, partly because the policies of the Bhutto Government in the 1970s froze imports of capital equipment and so prevented the industry buying modern machine tools from abroad.

Other problems facing the industry are the lack of stainless steel and other raw materials in Pakistan as well as a lack of commitment among many of the local businessmen to manufacturing expansion. Instinctively people in the city are either skilled workers or traders.

Mr S. M. Iqbal, chairman of the biggest company, G. T. Surgical which has nearly $3m export sales a year, is an exception. He has recently invested approaching $1m, in new machine tools. He is also about to launch a $3m joint venture with Manan Engineering of Paris to produce medical dressings, partly funded by a World Bank loan.

A total of 12,000 people are employed in a dozen small to medium sized surgical goods companies. A large number of them take in work like filing rough forgings at home. The exports total about $25m a year.

The sports goods industry is also facing problems caused by increasing competition from countries like Taiwan and India which have moved faster to adopt new technologies such as carbon fibre tennis racquets. All Trading for example, which is one of the largest companies and has supplied major international companies including Dunlop and Slazenger, has lost out because it has stuck to traditional crafts. Its turnover is down to $1.25m from $2m five years ago and it is now considering installing a $2m graphite plant.

The city's largest group combines Grays of Cambridge (Pakistan), 66 per cent UK owned, and Anwar Khawaja. It has a total turnover of $1.8m. It supplies virtually all the hockey sticks, cricket bats, footballs and hand balls it makes to Grays and two other major European companies.

Production of footballs, handballs and volley balls has more than quadrupled in five years. Mr Anwar Khawaja, who heads the group, says this was only possible because, unlike some other companies, he switched the bulk of his production from leather to synthetic materials, so abandoning some Sialkort traditions but securing his business substantial profits.

Casualty of the shipping slump

LOCATED A few miles outside Karachi, Port Qasim is one of the major projects started during the 1970s by the Bhutto Government which are widely regarded as "white elephants." Its costs have escalated far beyond original estimates and it is still not fully operational.

Construction of the port's seven multi-purpose berths were completed last month and all marine and railway facilities are ready for use; but a combination of the world-wide shipping slump and excessively high port charges have kept business to a fraction of the potential.

Incomplete

The berths are only handling about 300,000 tonnes of cargo a year instead of the 1m which should be on the books by now. The maximum potential is 4.5m tonnes.

The port was designed in the 1970s to supplement Pakistan's main docks in the centre of Karachi which were heavily congested. Construction costs have rocketed from $225m to $440m, partly because the original specifications were incomplete and partly because of an expensive and unexpected silting problem in the port's main offshore approach channel.

However Rear Admiral Ahmed Wallulla, who is on secondment from the Pakistan Navy as chairman of the Port Qasim Authority, hopes that business will soon pick up. He hopes soon to be handling rice exports totalling 1.2m tonnes a year, and is also trying to persuade the Government to reorganise the port's financial targets so that charges can be cut nearer to the levels of the main Karachi port. At present Qasim charges four or five times as much as Karachi.

Plans being considered to boost the port's fortunes also include turning three its its berths into a container terminal. This has been resisted by Karachi which wants to develop Pakistan's first container trade in its own docks.

Qasim's main work since 1980, when its approach channels were first ready for use, has involved servicing the nearby Pipri steelworks by handling 2.5m tonnes of imported iron ore and coal (which should grow to 3.4m tonnes a year), plus occasional exports of pig-iron and coke.

The port stands on a 12,000-acre site which includes an export processing zone. There is also space for the development of major industries geared to import and export.

Alain Cass surveys the political scene

Opposition parties in search of a cause

SOMEWHERE IN Karachi's affluent suburbs a small, sombre group of men and women gather in the garden of a large villa under the shade of a colourful marquee. They make speeches.

The gathering includes much of what remains of the country's political opposition still at liberty, a Supreme Court judge and, in all probability, a police informer or two.

The meeting has ostensibly been called to appeal for sectarian calm in the wake of several days of bloody riots in the city in which several people died and dozens of buildings were set alight. The city's Muslim Sunni and Shia factions had clashed on the streets and the acrid smell of burnt timber still hangs in the air.

In reality the meeting, which clearly contravenes martial law regulations banning political activity, is a muted protest against President Zia ul-Haq's military regime.

The Karachi riots were the result, not of sectarian tension, but of the growing frustration at army rule in Pakistan and the inevitable consequence of President Zia's accent on Islam, according to speaker after speaker.

Less than five miles away President Zia, impervious but not, one suspects, oblivious to the meeting, is the guest of honour at a dinner given by Pakistani journalists.

The episode demonstrates two things about martial law in Pakistan today. The first is that President Zia has learnt a few lessons from his predecessors in the job. He can be ruthless but not indiscriminately so. He may be an autocrat, but he clearly appreciates the need to let off steam.

Discredited

The second is that Pakistan's decimated and, by their own admission, widely discredited political parties are desperately in search of a cause. They, too, have learnt from the past and know that, without an issue, their chances of galvanising effective opposition to martial law are slim.

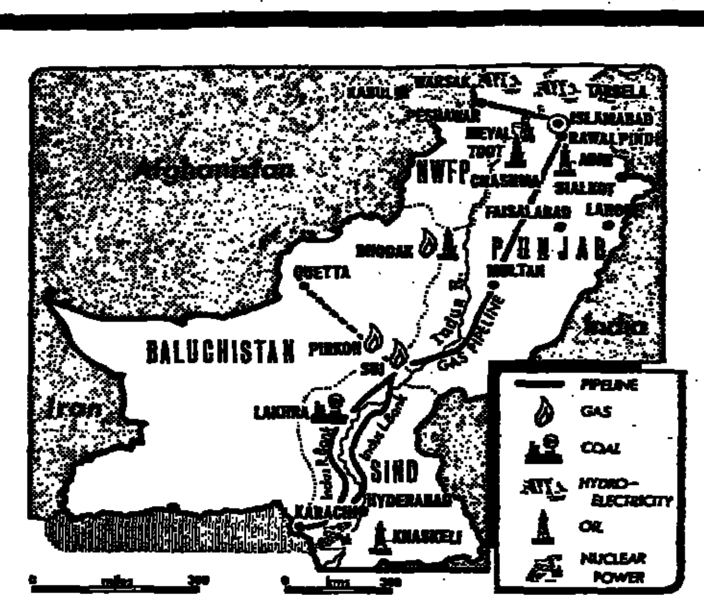
Some believe the issue may be President Zia's Islamic society.

Women have taken to the streets to protest what they regard as discriminatory laws designed to turn them into second-class citizens. They can no longer take part in public sporting events and many are incensed at a law which appears to state that one man's word in a court of law is worth that of two women.

The Koranic injunction on which it is based does not, in fact, say that. Officials charged with turning Pakistan's legal system, hitherto based on Macaulay's penal code, into an Islamic one are at pains to point this out and add that the same court which made that ruling has also declared that women can be judges.

Still, in spite of the sensitivity of government officials to westernised attitudes which are deeply ingrained in the middle-classes and the benefits of Islamisation (such as the Zakat and Ushr taxes for distribution to the needy) President Zia's vision of an Islamic state has proved a divisive as well as a uniting force.

Late last year a baby was stoned to death in front of a mosque because it was illegitimate. The first stone was cast by a priest. Another priest has recently been preaching that cricket is un-Islamic because it inflames the lust of women spectators. Cricket is a passion in Pakistan not to be lightly abused.



And then there were the Shia/Sunni riots. Pakistan's almost exclusively Muslim population is predominantly Sunni although there is a sizeable Shia minority. This is clearly worried about its status and subject to the meddling influence of Iran's Shias.

Other opponents of the regime pin their hopes on the collapse of the economy which is currently being propped up largely by workers' remittances, U.S. aid and Arab money.

The rest hope for a groundswell of opposition to martial law and growing demands for a return to democracy. They talk, vaguely, of "people becoming restless" or the "situation reaching a point of no return," and the armed forces becoming "weak and isolated."

None of these last assertions are immediately obvious. Few people in Pakistan today like martial law. A large number undoubtedly harbour a resentment against the army and want them back in barracks. A smaller number nurse a deep, personal grievance against President Zia because he was ultimately responsible for sending his predecessor, and the man he overthrew in his 1977 coup, Mr Z. A. Bhutto, to the gallows.

But the country is hardly on the point of open conflict. "The situation is fragile but not unstable" as one western diplomat summed it up. The regime's supporters invariably follow this up with the question: "What is the alternative?"

To delve deep into the Movement for the Restoration of Democracy (MRD), a loose coalition of eight banned political parties, is to see just how tenuous a united opposition to President Zia's rule would be.


Benazir Bhutto: she has inherited much of her father's charisma

The group encompasses the left-wing People's Action Party (PPP), formerly headed by Mr Bhutto and now nominally headed by his widow Begum Nusrat, several middle-of-the-road parties and some of the country's Islamic groups.

Were elections to be held today the PPP would probably win, according to most observers, although there is no way of knowing for certain. Mr Bhutto's daughter, Benazir, who has been under house arrest for two years, has inherited much of her father's charisma. She also has the vestigial sympathy of his execution which appears to have largely wiped out from the public mind many of the wilder excesses of his last, autocratic years in office.

There are clear divisions of opinion within the MRD. The PPP is widely resented by the other parties. While united in their opposition to martial law, most of the MRD's constituent parts are working to undermine each other quietly. Under certain conditions it is even conceivable that some elements would enter into a coalition with the military.

There is also the fact that Pakistan is not a unitary state. It is composed of four disparate provinces of which by far the most populous and the most important is the Punjab.

Virtually the entire ruling military elite is drawn from there, to the growing resentment of the other provinces, the Sindh, the North West Frontier Province and Baluchistan. To control the Punjab is to control Pakistan it is often said. But that control is tenuous.

The North West Frontier Province and Baluchistan, which border Afghanistan, are laws unto themselves. Islamabad's writ has only ever run in these wild and remote areas at the point of a gun. The Sindh poses no such problems but because of the importance of its capital, Karachi, as the country's premier industrial city its co-operation would, ultimately, be vital if a political consensus is to be forged to replace naked military rule.

President Zia has tried to start forging that consensus through his appointed Consultative Assembly — a federal council with no legislative powers. Although it includes a small number of politicians previously connected with one of the main political parties, most have refused to participate.

President Zia plans to hold local elections in a few months in which individuals, as opposed to political parties, will be allowed to stand.

The next major event in Pakistan's murky political calendar is the expected announcement in June of President Zia's "Islamic Constitution."

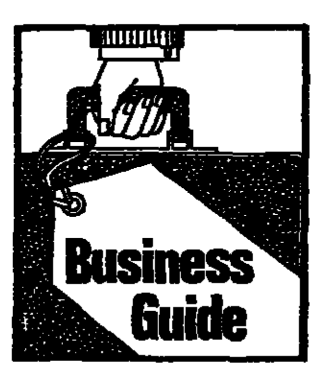
Ill-suited

Quite what he had in mind is unclear. Two things are, however, certain. The first is that it will not include a return to full democracy which President Zia believes is ill-suited to Pakistan's needs.

The second is that President Zia believes that the army's role, as a predominant political force, must be officially institutionalised.

To those who object the regime's supporters point to the fact that, with the exception of the few years immediately following partition with India in 1947, the army has always — even under Mr Bhutto — been the ultimate arbiter of power in Pakistan. A constitutional amendment, therefore, which gave the army a dominant role would merely be formalising the situation as it has always been.

This may be true. But, as General Zia himself admits, the army can only rule effectively in Pakistan with the co-operation of the people. His predecessors in the army discovered this to their cost when they failed to secure that support. Whether he can succeed where they failed is still an open question.



Travel

LIKE citizens of many other countries Britons do not require an entry visa. Visitors arriving from Africa, however, require a valid international health certificate.

Karachi is Pakistan's principal international airport and port. A large number of foreign airlines use it as their mid-way base for Europe - Far East flights. Several flights—Thai, European and Pakistan International Airlines — connect Islamabad - Rawalpindi with Britain, Europe and the Middle East.

Lahore and Peshawar have flights to and from the Gulf. Lahore is additionally connected with India, by air, road and train.

Customs

Visitors are allowed duty-free imports of tobacco, small quantities of perfume, and souvenirs for their personal use.

Most goods bought in Pakistan do not need an export permit, but receipts of encashment of foreign exchange from banks, hotels and authorised currency dealers need to be retained for possible examination and reconversion.

Museums in Karachi and Lahore will clear export of antiques under the existing rules. Care should be taken buying antiques, especially Buddha sculptures, most of which are near-perfect imitations.

Yellow cabs are available in major cities. Hotel taxi services, often with English-speaking chauffeurs, are recommended. These cost $20 to $25 for an eight-hour day, depending on mileage.

Hotels

Karachi, which is the home of the nation's major industry, business and banking, has the Intercontinental, the Holiday Inn, and the Sheraton.

Lahore, the second largest city, and the nation's cultural centre since the Mogul and British Raj, has the Hilton and the Intercontinental.

Islamabad has the Holiday Inn, while the Intercontinental is located in downtown Rawalpindi, 12 miles away. Peshawar also has an Intercontinental.

Prices at these hotels are in the $60 to $80 range for a night but Karachi has some first-class hotels where accommodation is available for $40 to $50.

Currency

Pakistan has a floating exchange rate based on a basket of currencies. Pakistan currency has denominations of 100, 50, 10, 5 and 1. A Rupee is divided into 100 paisa. The coins are: 1 Rupee, and 50, 25, 10 and 5 paisa.

Business hours

Business hours are generally 9 to 5. Friday is the weekly business and government holiday and foreign missions observe Fridays and Saturdays as the weekend. All embassies are located at Islamabad while trade offices and consulates of major countries operate at Karachi.

Government offices work from 7.30 to 2.30 during April to September and from 8.30 to 3.30 during October to March. There is a brief lunch interval.

The banks open from 9 to 1.00 from Saturday to Wednesday and from 9 to 11.30 on Thursdays.

Weather

Pakistani summer starts around the middle of April and temperatures on the plain touch 45C in June and July, the hottest season.

Late July to early September is hot and humid because of the monsoons. In the winter months —November to March—light woollens are required in most cities, but somewhat heavier clothing is needed in Islamabad, Rawalpindi and the northern areas where night temperature is quite low.

Most of the Karakoram, Hindukush and Western Himalayan ranges in north and north-west of Pakistan are snowbound during the winter.

Food and drink

Continental, Pakistani and Chinese cuisine is available in most of the five- and four-star hotels. Karachi is known for its sea food. While the major restaurants are run by these hotels, there are several others outside of them.

Moslems are prohibited from drinking alcohol but alcohol is served in large hotels only to non-Muslim expatriates in their rooms. Visitors are not advised to bring liquor into the country. If they do it will have to be deposited with customs at the port of entry to be retrieved on leaving Pakistan.

Business contacts

Some useful business organisations are:

KARACHI: Federation of Pakistan Chambers of Commerce and Industry (FPCC&I) Main Clifton (phone 53-36-80 and 53-46-21); Karachi Chamber of Commerce and Industry, Aiwan-e-Tajarat Road (phone: 23-48-95 and 22-60-91); Karachi Stock Exchange (phone 23-35-81 and 23-87-61); Director General, Export Promotion Bureau, Ministry of Commerce, Government of Pakistan (phone: 21-38-83); Investment Promotion Bureau, Government of Pakistan, Kandawala Building, M. A. Jinnah Road (phone: 79968); Investment Advisory Centre of Pakistan, Government of Pakistan, State Life Building No. 3, Dr Ziauddin Ahmed Road (phone: 51-20-86); and Export Processing Zone Authority, Government of Pakistan, Hafiz Centre Shara-e-Faisal (phone: 43-26-44, 43-25-14 and 43-11-34).

The Overseas Investors Chambers of Commerce and Industry is located on Talphur Road (phone: 22-25-57 and 22-25-58).

LONDON: Investment Centre, Embassy of Pakistan, 35 Lowndes Square, London SW1X 9JN (phone: 01-235 2044).

LAHORE: Lahore Chamber of Commerce and Industry, 11, Race Course Road, (PO Box 597 phone: 30-55-38); Director General, Export Promotion Bureau, Government of Pakistan, 56, Tufail Market, Main Shadman Colony (phone: 41-76-12).

ISLAMABAD: British Embassy (phone: 22131). U.S. Embassy (phones: 24071 and 24072).

RAWALPINDI: Rawalpindi Chamber of Commerce and Industries, 108, Adamji Road (phone: 6-7598).

Banks

The foreign banks operating in Pakistan are: Grindlays, Chartered, Citibank, American Express, BCCI, Union Bank of Middle East, Dutch Asiatech, Hong Kong and Shanghai Banking Corp and Bank of Tokyo.

Pakistani banks are: Habib, National, United, Allied and Muslim Commercial.

Business incentives

Excluding the industrial cities of Karachi, Lahore, Gujranwala, Sialkot, Rawalpindi, Faisalabad, Multan, Rahim Yar Khan, and Hyderabad, most areas receive a 50 to 100 per cent rebate on import duty for machinery and plant. Lesser developed areas receive higher rebates.

There is no import duty on machinery for industries like fertilisers, made-up garments and hosiery, poultry, dairy and meat processing.

The capital goods industry receives substantial duty concessions on raw material imports. Exporting units are totally exempt from duty on raw material imports. Deferred payment of duties on imported machinery is allowed.

Except for the major industrial centres, a five-year tax exemption is available to new units. The first 10 per cent of profits of industrial companies established from 1975 to 1985 is exempt from tax.

Companies listed on the stock exchange are permitted to set off their current losses of a wholly owned subsidiary company against current year's income. This can be done for three years.

A 55 per cent rebate is allowed to commercial and industrial exporters in tax attributable to income from exported goods.

Machinery and components for industrial use are exempt from sales tax.

Concessional provisions are available for computing profits of mineral industry, including exploration and production of petroleum.

Telephones

Of serious concern to businessmen is the exorbitant "service charge" slapped on to international telephone and telex calls by hotels. These vary from 25 to 40 per cent and come on top of postal charges and 15 per cent government tax. The Government says it is "aware of the problem and is looking into it." Businessmen are advised to use telegraph offices or private lines.